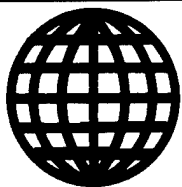


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# ***JPRS Report***

## **Soviet Union**

***International Affairs***

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# Soviet Union

## International Affairs

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6 November 1990

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### **'Independent' War Games Described**

91UF0085A Moscow *NEW TIMES* in English  
No 39, 1 Oct 90 p 32

[Article by Konstantin Ovchinnikov, candidate of economic sciences and deputy chief of the USSR Foreign Ministry's International Economic Relations Administration]

[Text] At "X" hour, Soviet tanks, responding to a request from the friendly government of a neighbouring country, rumbled into its capital to lend it "international aid." The world community responded to this action not only with notes of protest, but economic sanctions as well. All deliveries to Soviet enterprises from abroad of the components and parts required for their operation were stopped. Factories stopped work, workers and engineers employed by them no longer received any wages. Agriculture was deprived of the machinery it needed, production of food and raw materials dropped, the peasants were left without a source of income and the population without food.

That was the scenario of one of the situations examined by experts at the recent forum, "Civic control over security," that took place in Rostov-on-Don. On one side there were civic experts, and on the other, government departments directly responsible for ensuring the safety of the country. This forum (sponsored by the magazine MEZHDUNARODNAYA ZHISN and the School for the Strategy of Socio-Intellectual Enterprise in Rostov-on-Don) revealed that the professionals responsible for ensuring security (military, political, economic and ecological) were inclined to see a threat to the country emanating in their own particular fields.

The military's reaction to the doubts and scepticism of the civilians was traditionally sharp. The impression one got was that the men in uniform seemed to be simply insulted when they were asked "childish" questions about the sources and causes of any potential aggression against the country, that potential threat against which Soviet military-industrial complex has been working for decades. All the attempts of the civilian participants to clarify the situation evoked one and the same response: if insufficient attention is paid to the country's defences, there could occur a repetition of the 1941 situation when Hitler's blitzkrieg very nearly succeeded. And if such warnings seemed to have no effect, then the military participants in the forum declared that the civilians were dilettantes in matters of security, and they should not interfere in the decisions of professionals. The military participants in the forum were at times wildly angry with the civilians' disagreement with their appraisal of the situation and refused to recognize that those who pay for the defence establishment have the right not only to information, but also to participation in determining the reality and nature of threats.

Significantly, when the topic of discussion switched from a military danger to, say, an ecological danger, the "gun" that fell from the hand of the military was immediately

picked up by champions of protection of the environment. And once again two camps were formed—professionals and dilettantes.

Nevertheless, the Rostov-on-Don forum, having revealed once again the wide gap between corporate and public understanding of the nature and essence of defence problems, to some extent succeeded in ironing out existing contradictions. The participants in the forum came to the conclusion that the absence of security in one field inevitably brings to life dangers in others. And the problem of national security cannot be separated from the problem of ensuring the security of each individual.

Special attention should be paid to the co-relationship between the sound level of sufficient defence and the country's economic capabilities. It is obvious that the two are mutually interconnected. Therefore the sufficient level of defence should be determined not only from the views on the nature and scale of a possible external military threat, but also from the possibilities of the economy to sustain such a level of defence. Otherwise soon there will be nothing to defend—except the military-industrial complex.

Today as the draft Union Treaty is being elaborated, of prime importance for every republic and man, if they are to survive, is the observance of sound limits to their economic independence. This is more important than a sufficient defence.

The independent experts meeting in Rostov-on-Don raised doubts about the possibility of a purely corporate approach to the problem of national security. At the same time, it gave grounds for hope that a combination of departmental approaches and public views would at last make possible the establishment of civic control over the security system, something which in the final count both the government and state institutions and society itself are interested in.

### **UN Industrial Development Organization UNIDO Profiled**

91UF0069A Moscow *PRAVDA* in Russian 15 Oct 90  
Second Edition pp 4-5

[Article by I. Melnikov, *PRAVDA* correspondent: "UNIDO: Everything Still Lies Ahead; We Are Telling About International Organizations"]

[Text] In the issue for 24 September of this year we began the article, "We Are Telling About International Organizations". Today we will get to know UNIDO. This is the UN organization on industrial development—one of those institutions of the association without which it would be impossible to imagine world policy. UNIDO helps mankind to deal with the menacing challenges of the times and to proceed along the path of humanization of relations.

### The Viennese "Phantom"

A quarter of a century ago on Museum Strasse, within 100 meters from the Volkstheater which the Viennese loved so much, there arose a modern building colored in greyish tones. It arose somewhat unexpectedly, and surrounded by the outstanding architectural masterpieces of old Vienna it seemed to be some kind of a phantom, a ghost. It attracted the attention of passers-by because of the many different languages spoken by its inhabitants, and it comprised a unique ethnographic preserve—people with white, black, and yellow skin.

The building stood for about a decade and a half, and then suddenly... it disappeared, as if melted into thin air. The gaze of those who had not been to Museum Strasse for a few weeks was now met by a green meadow where the building used to stand. However, as is fitting for a "phantom", the building and its inhabitants "materialized" in another place in Vienna, beyond the Danube, where the multi-story towers of the UN city were being erected...

It is time to call the "phantom" by name and, most importantly, to tell about its real and rather beneficial deeds. UNIDO, or the UN Industrial Development Organization, was created in 1966. Through this step, the world community pursued its primary goal—to give real aid to the industrialization of young states and to help them in various ways: By compiling programs for industrial development, by the transfer and assimilation of new technology, and by training national cadres.

The year 1986 was the turning point for UNIDO, when it achieved the status of a specialized UN institution, and consequently greater independence. The organization turned to programs which placed the emphasis on the development of labor resources, medium and small enterprises, on industrial reconstruction and on the close cooperation of companies. The change of guidelines, the rejection of gigantomania, the search for companies capable of investing in projects and presenting technical documentation despite the inherent risk—all this was not easy to come by. And if we add to this the acute financial crisis in which UNIDO found itself at that time, the difficulties of the restructuring will become understandable. The belt of economy was tightened to the limit. The managers of the organization showed that they were true to their principles and at the same time flexible, while the cadre backbone demonstrated truly miraculous viability.

The Viennese "phantom" emerged from the period of crisis in renewed fashion, forcing all the partners to believe in the promising nature of the selected path. Here in my hands are two green folders—UNIDO reporting speeches for 1988 and 1989. The progress is obvious: The volume of technical aid given to the developing countries has increased by 10.5 percent, comprising \$133.8 million. The cost of the ratified projects has increased from \$161.4 million to \$171 million, and that of planned projects—from \$217 million to \$252 million.

But how are things in the sphere of industrial investment? In 1989 UNIDO aided in the implementation of 143 projects at a cost of \$556.4 million, while the year before there were 121 projects implemented with its support, for a total cost of \$414 million.

The medium-range plan to the year 1995, adopted at the last UNIDO session, clearly defined the priority needs of the developing states, among which not one was left in the position of stepchild. Once again, problems of environmental protection, development of labor resources, and mobilization of financial means for purposes of industrial development were the center of attention. A factor in intensifying the mutually beneficial contacts along the line of North-South, as well as along the line of East-West, is becoming the center of UNIDO industrial cooperation.

### Challenge of the Times

In stormy weather, Domingo Siazon found himself at the helm of the UNIDO ship. Elected to the office of general director in August of 1985, he accepted the challenge of the times without hesitation. By far not all the participant countries met his announced new approaches with enthusiasm. We might add that our country's representatives were also in the camp of the sceptics at that time.

Of what did the new approaches consist, which Siazon implemented persistently, but without forcing events? The first and most important of these he considers to be the realization of cooperation not through the government, but at the level of the enterprises, both state and private. The second basic element was stimulation of direct investments in the developing countries and creation of joint enterprises. Thirdly, there was an increase in the volume of technical aid provided through UNIDO. Finally, there was an improvement in the quality of management in the UNIDO subdivisions themselves.

It was along these four directions that the strategic assault began, the results of which, we might add, became apparent only after more than 3 years.

...The most notable thing in the interior of Siazon's office is, undoubtedly, the table at which its owner, together with his multilingual colleagues (as for the working language, in UNIDO it is English) regularly discuss the strategic line and the tactical steps of the organization. Even now, beginning our conversation, he has taken his customary place at the head of the table.

I looked closely at Siazon, whom I had for some reason imagined before our meeting to be elderly. Before me sat a man who did not look his 50 years. He was slender, quick in his movements, and resourceful. His face betrayed him as being a man from the East. In fact, Siazon was born and raised in the Philippines. However, a significant stroke of his biography explained the ability to abstract himself from nationality, a trait which is so necessary for a leading international bureaucrat. This was his extensive education, which he had obtained

throughout various parts of the world. He earned a bachelor's degree in political science from Manila University in 1959, a bachelor's degree in physics from Tokyo University 5 years later, and a master's degree in economic sciences and management from Harvard in 1979.

Our conversation lasted an hour and a half. Here are its most characteristic points.

[Correspondent] How was your "acclimatization" in the position of UNIDO general director?

[Siazon] If we speak of physical acclimatization, there was simply no time to pay any attention to it.

As for political acclimatization, frankly speaking, I did not have any great problems, and yet... Our organization detached itself from the UN. It was like a colony which had become an independent state. Therefore, at first many questions arose which were associated with the mistrust of the participant countries toward the powers of our apparatus.

I place my hand over my heart and swear that in the first 2 years I had definite political problems in relations with the Soviet Union and other countries of Eastern Europe. By that time the process of deep-seated perestroika had not yet begun there, yet from the very beginning I supported cooperation with the private sector and direct financial investments. Therefore I was often criticized by the delegations from the Soviet Union and the other East European states. Today the situation is entirely different. In confirmation I can cite the example of the agreement signed with the USSR government regarding the creation of a UNIDO Center in Moscow. Its primary task will be to aid in industrial cooperation and investment, comparable with a bilateral movement—to you and from you.

#### The Cadres: How To be Fair?

The cadre problem. Where and for what manager has it not been a headache? And the fact that General Director Domingo Siazon is no exception to the general rule became clear from the very first minutes of our dialogue.

[Correspondent] What qualities must be the principle ones for your fellow associates?

[Siazon] UNIDO is like a house which is being built, where each element requires the proper skills. We need different specialists: Electronics engineers, specialists in industrial information, economists, ecologists, and jurists. In selecting the candidates, we must think about our needs for today and tomorrow. I would like to emphasize: Everything we have achieved in the last 4 years has been realized thanks to the abilities of our fellow workers.

[Correspondent] You are not particularly worried where these associates come from—from the countries of the East, West or South?

[Siazon] Unfortunately, I must note that this is of some importance. Why? Since there is a quota system within UNIDO (in other words, each country has the right to claim a certain number of places), the manager is limited in his choice. Let us assume that he would very much like to hire a certain knowledgeable specialist, but this specialist is from a country whose quota has already been filled. And so he must take workers who are less qualified, but from a country which still has "openings".

[Correspondent] It turns out that the principle is not quite correct and we must strive to change it?

[Siazon] I agree. However, unfortunately the concept of a definite geographical quota for each country is mandatory in all UN institutions. Although the Charter states that the basic principle is the ability of each candidate, nevertheless it is ultimately the "supreme quota" which dictates. It is a good thing that UNIDO has an advantage as compared with other international organizations: A candidate may submit an application without approval by his country's government. In other organizations the opinion of the government is the standard.

[Correspondent] Which country's associates have gained the best reputation? If you can, perhaps you will also name the weakest ones.

[Siazon] I cannot answer, since there are good, bad and average workers from each country. This is what we do: If a weak associate is under permanent contract, we try to re-train him. If he is under temporary contract, we simply do not extend his contract when it expires. Out of 500 professional UNIDO associates, one can hardly name 10 which would be equal to zero. As compared with other organizations it is a good ratio. In past years I have also been able to determine that UNIDO is not a very friendly organization for an incoming associate. This has to do with national differences, language and culture.

#### To Watch Over Our Interests

Having descended to earth from the clouds of strictly ideologized notions about the role of international organizations, we have rejected show and exultation of our own, often imagined, achievements, and have turned to face the problems which have surrounded us. Will a country's participation in these unique laboratories for experience in the world community help in the solution of these problems? Having rejected arrogant habits, are we capable of teaching others and handing out material benefits? Are we capable of learning from wise experience and taking that which the highly developed industrial powers are unselfishly willing to share with us?

The experience of recent years in our participation in UNIDO says: Yes, we are capable of this. I will refer to my conversations with the chairman of the USSR GKNT [State Committee on Science and Technology], Academician N. P. Laverov, who repeatedly visited Vienna for contacts with this international organization.

The pragmatism of relations expressed in the creation of the UNIDO Center in Moscow, he believes, must be comprehensively developed. When a system of competition is formed in the country, this creates conditions for bringing our developments and technological decisions closer to world standards. The competition which the West offers upon entry of the developing countries into the market places a barrier in the path of weak projects. We seem to be overcoming the isolationism of our own planning matters and, by cooperating with UNIDO, are developing the line taken today by GKNT—the organization of state support for projects which are competitive.

The joint realization of projects, continues the academician, will make it possible to earn the currency which is so necessary for stimulation of new technologies.

We also cannot forget how important it is to adapt the cadres of Soviet managers to the world economy. For now, most of the managers of our enterprises who have entered into direct foreign contacts have a poor understanding of management and marketing under conditions of a market economy. When UNIDO experience comes to their aid, these managers will “grow up” much more quickly. With all due respect to our currently

existing educational structures, including the Academy of the National Economy and our higher commercial schools, we must admit that they do not create any conditions for the actions of a mature manager in a specific environment, as does UNIDO practice.

However, let us return once again to Siazon's office. In conclusion to our conversation, I asked him to name the four most useful international organizations, in his opinion. He thought awhile, and then said:

“The World Health Organization, the International Food Organization, UNESCO, and UNIDO.”

“Why was UNIDO named last?”

“We in the Philippines,” for the first time during the conversation Siazon mentioned his homeland, “have a saying: ‘If you want to look at a coin, you must hold it farther from your eyes’. Moreover, think about it yourself—if people are not healthy, what is the sense of educating them? If they have no food, how can they work? And if they have no education, then once again, how can they work? It is no accident that UNESCO and UNIDO want to hold a joint meeting in the near future on questions of education and industry.”

### CSCE 'Civil Assembly' Urged

91UF0093A Moscow MOSCOW NEWS in English  
No 37, 23-30 Sep 90 p 13

[Article by Sergey Belenkov, candidate of historical sciences: "Why We Need the Helsinki Civil Assembly"]

[Text] No matter what is thought to be the reason for the Helsinki Conference on Security and Cooperation in Europe, mainly it was state politics. With all its achievements, the Helsinki process is still developing on an intergovernmental rather than an interpersonal level. So far we have been building a "Europe of states" rather than a "Europe of people" or a "civic society of Europe." Such a society can be built only by Europeans themselves, through criticizing, supporting, and exhorting the authorities and by making them face a fait accompli when time is pressing.

This is the meaning of the Helsinki Civic Assembly, a broad public movement described by M. Pavlova-Silvanskaya in an earlier issue of MN.

The coming Helsinki-2 forum in Paris is pleasing in terms of its list of participants. The replacing of Brezhnev with Gorbachev and Husak with Havel is magnificent in itself. Nevertheless, this meeting is still evaluated from an old frame of reference: we have this many tanks left, and they have that many aircraft. Significantly, the development of the human dimension of the Helsinki process appeared to be outside the "main programme" (at the conferences in London, Copenhagen, and at one slated for 1991 in Moscow) and is factually in the wake of the developing process of dismantling antihuman barriers on the continent: the Berlin Wall, barbed wire on western Czechoslovak borders, the prohibition against possessing hard currency and jamming of Western radio stations in the USSR. All that was dismantled without waiting for a consensus of governments. Why? Perhaps, the disgruntled noise of crowds in the streets is stronger than the rustle of diplomatic documents. This is how the second generation of European principles, or Helsinki on the grass-root level, is being realized de facto and without hair-splitting work on settling the wording of documents and shaking in of mutual departmental ambitions.

Henry Kissinger, hardly a proponent of "people's diplomacy," had to admit, when speaking about top-level meetings within NATO, WTO, EEC, and the Helsinki Conference, that summit meetings would only become means for ratification of national decisions rather than the means for working out these decisions through a consensus. So what's the use of worrying? We just have to ensure the ratification of international alternatives proposed by vast European movements, rather than national and egotistic decisions.

From the history of such movements (anti-war, human-rights, environmentalist, feminist, etc.) we see that they gain influence and effectiveness only after they translate their broad appeals into the language of specific

demands that are palpable for everyone. That was how Charter 77 and the first agreements (in 1980) between the Solidarity and the Polish government were concluded.

In my opinion, the right for everyone to become a direct defendant of one's own rights, including the right to leave a country which denies a person this right, can become one of the most important demands today. Here, and to a lesser degree in the West, the state remains a kind of an intermediary between a person and his or her own freedom. And this intermediary is not only selfish but often also inactive!

A citizen's relations with the state can be called just only when they are mutually advantageous. Since the state is unable to ensure the observance of its subjects' elementary rights and legal interests, how can it demand selfless loyalty? Under this situation, to get loyalty the state has to fence itself in from the rest of the world and virtually adopt serfdom.

The independent international mechanisms envisaged, in particular, by the European Convention for the Protection of Human Rights and signed by the Council of Europe member-countries, are designed to free us all from numerous attributes of civilized serfdom. The meaning of the complicated procedure described in this document is as follows: having used up all means of judiciary protection of own rights, provided inside the country, its citizen can file his or her complaint with the European Commission of Human Rights in Strasbourg, which is authorized to decide grievances between an individual and a state. No one is deluding himself or herself about the effectiveness of this procedure, since the practical results of appeals to the Commission of residents of Northern Ireland, Greece, Turkey, and Austria were often too modest. First, this system was created during the cold war and met with a hostile attitude in the East. Second, and most important, complete control over it was given to professional diplomats and lawyers. Europe's public remained outside it. But the European situation has been changing rapidly during the last few months. Why not try and introduce some "fresh blood" into this well-designed organism? Isn't it time to make the assent of all states, including Soviet Republics, to the European Convention for the Protection of Human Rights, one of the main directions of work of the Helsinki Civic Assembly?

But it seems that this path is not open for all simultaneously. Then perhaps the aim should be approached from grass-root non-official movements rather than through Foreign Ministries. It would be most helpful to learn what the Republican parliaments in Russia, the Ukraine, Byelorussia, Georgia, Armenia, Moldavia, etc., think about this matter.

Preservation democratic processes developing in the USSR and Eastern Europe, guaranteeing them access to fresh air, so as not to stifle them, is becoming an international as well as an all-European task. This is felt

in the position of the Minister of Internal Affairs of Czechoslovakia, Jiri Dienstbier, who, in his interview for the LIDOVA DEMOKRACIE newspaper in August, said the worst alternative would be to "prode the USSR into isolationism," since any claim that Russia doesn't belong to Europe is wrong and dangerous.

Apparently, progressing towards the European civic community will be more difficult than it was to form the idea. There are lots of hurdles on the road. People have to destroy more Bastilles before they will be able to paint across the ruins of the last remnant of the cold war: "On y danse!"

**Impact of Abolishing Fixed CEMA Prices Viewed**  
*90UF0581A Moscow TRUD in Russian 25 Sep 90 p 3*

[Discussion with Ministry of Foreign Economic Relations officials conducted by Ye. Zhurabayev: "The Transfer Ruble: A Difficult Send-Off"]

[Text] In accordance with the presidential Decree, starting in 1991 the USSR is changing over to accounting with the CEMA member states in hard currency and at world prices.

As the American television company ABC stated, this decision will be "an economic shock of great force" for our CEMA partners. However, at the Ministry of Foreign Economic Relations, where our TRUD correspondent turned for an explanation, such a comment evoked only a condescending smile. Here they generally refrain from any definite predictions about who will gain the advantage under the new system of accounting, and they consider the transition to this system a matter of extreme complexity.

"This step," says S. Malofeyev, deputy chief of the Foreign Economic Policy Joint Main Administration, "has been taken certainly not in search of profit, but in order to rationalize the existing relations. All our partners are also convinced of the need for such changes. Up until the present time, trade between us has been performed on the basis of the physically non-existent transfer ruble, which is restricted to a narrow circle of countries, and at artificially set prices. Competition is practically absent here. However, beginning on 1 January 1991, under the new system of accounting, [this competition] will become a reality. After all, all the participants in the foreign economic relations will have the possibility of choice: On what markets to buy or sell their goods. This means a significant step along the path of integration into the world economy."

"The practice of signing bilateral yearly protocols on trade has already ceased," joins in V. Petrov, deputy chief of the MFER [Ministry of Foreign Economic Relations] Cooperation With European CEMA Member States Main Administration. "All the specific questions of mutual deliveries will be decided not by the government organs, but by the producers themselves. Let us say, for example, that for VAZ [Volga Automotive Plant] the conditions of sale of automobiles to France or Hungary will become comparable and, perhaps, it will no longer want to export only to the Western countries. As for the question of who stands to win most from the coming changes, we may answer thus: The ones who are best able to compete will be the winners—both enterprises and countries as a whole."

[Correspondent] We know that the quality of practically all finished products of the CEMA member states is considerably lower than that of Western analogs, on which the world prices are based. In connection with this, how will the currency prices be established for this

group of goods? What will happen with the accumulated debts, which are for now being computed in transfer rubles?

"Prices will be the subject of agreement in each specific case for each specific country," answers S. Malofeyev. "A certain difference in the prices on the markets of certain countries may depend on the level of the established demand for the given goods, the living standard, and the transport expenditures. Negotiations with individual countries are currently underway. A mechanism of transition to accounting in freely convertible currency (FCC) will be selected at these negotiations. One way or the other, the forthcoming changes in accounting will affect the quantitative volumes of deliveries, as well as the entire structure of trade."

"Yet for many groups of goods the mutual dependence will be retained for some time to come," believes V. Petrov. "Here the cooperative ties, low prices, difficulties in moving goods to the markets of third countries, and the established transport ties will all play their role. Let us recall even the oil and gas pipelines. Although some of our partners are already now studying the possibilities of purchasing oil, for example, from alternative sources."

As for the current USSR indebtedness to the East European countries (it comprises 5 billion transfer rubles), this complex problem is the focus of attention of the current bilateral negotiations. We will note that it is not only we who owe them, but they also owe us. (TRUD has already written that as yet a portion of the rather sizeable Soviet credits presented at one time to Poland, Bulgaria, Hungary, and the GDR has not been covered—Ed.).

Moreover, I will add that Soviet indebtedness has increased this year largely due to the rapid increase in the number of trips abroad by our citizens. Thus, out of the 800 million transfer rubles which we owe to the Hungarians, 200 million were accumulated due to unorganized tourism.

"By the way, the changeover to freely convertible currency will touch upon all types of reciprocal visits—they of a personal or business nature. All the expenditures for them, as well as the maintenance of various representations, will be conducted in hard currency. In conclusion," emphasized V. Petrov, "I would like to say that after the transitional period, trade between the CEMA member states, having undergone certain quantitative and qualitative changes, must again stabilize—this time already on the basis of true market relations."

In striving to supplement the information which I received at the MFER and to take a look at the problem from the viewpoint of our partners, I met with the deputy trade representative of Czechoslovakia in the USSR, Jindrich Dite. The bilateral negotiations on the changeover to freely convertible currency which have been going on since January of 1990 testify, in the words of J. Dite, to the fact that great difficulties lie ahead for all of us. The fact is that the negotiations have as yet

brought little, and this frightens their participants away from concluding new contracts. Moreover, many sectors of our economies are mutually dependent...

"I am afraid," says J. Dite, "that for our economic managers the first quarter of next year has already been lost. Someone will not receive sheet metal, someone will not receive various complement materials, someone will not know where to sell large volumes of export products traditionally supplied to the Soviet market. We may surely expect a decline in a number of sectors of the economy at the beginning of next year. While before we supplied 40 million pairs of shoes to the USSR each year, now only God knows who will implement these procurements, which have become currency purchases, to the USSR: The center, the republics, or the enterprises?"

[Correspondent] As far as I understand, before changing over to mutual accounting in freely convertible currency, it is necessary to define the subsequent fate of Soviet indebtedness to Czechoslovakia. What can you say about this matter?

"This indebtedness has begun growing since 1988 in connection with the reduction in prices on power sources and raw materials, and recently the situation has also become exacerbated due to the disruption of planned deliveries of oil, nonferrous metals, cellulose-paper and other products by the Soviet side. We also bear a portion of the blame for the growing imbalance. Having assumed the responsibilities of retaining purchases of Soviet equipment at the former level, we never signed any new contracts."

With consideration for all this, the Soviet indebtedness to the CSFR may reach 2.5 billion transfer rubles by the time of the changeover to freely convertible currency. What will be the rate for recomputing the ruble indebtedness into hard currency? It is still too early to talk about this.

[Correspondent] How serious is the problem of price formation under the new conditions?

"This problem is not a difficult one for specialists. For raw material and agricultural products there are detailed price lists on the world markets. For finished products we may always find a Western analog and if necessary make deductions from the established price with consideration for the difference in quality. I might add that in the West too they trade not only in first-class goods. So the specialists have a starting point in setting prices for any commodity position, and in case of disagreement they may always reject the trade deal."

It is quite probable that under the conditions of the emerging selection and activation of relations with the foreign world, trade between our countries will be reduced, and it is unlikely that in the foreseeable future it will return to its former volume, when the USSR accounted for up to 47 percent of Czechoslovakia's foreign trade turnover. Yet such a clearly expressed orientation toward one partner in trade is considered abnormal throughout the world.

And so, the CEMA member states have assumed the task of forgetting about the transfer ruble starting with the new year, and relying on hard currency. This step will be rather difficult. Yet in order to merge into the world economy, it is necessary to trade according to the generally accepted rules...

**Effect of Perestroika on U.S. Attitude to USSR  
Assessed**

91UF0028A PRAVDA in Russian 2 Oct 90 Second  
Edition p 5

[Interview with Moscow Institute Professor of International Relations, Doctor of Juridical Sciences V. Danilenko, conducted by PRAVDA correspondent S. Oganyan: "Our Perestroika is Changing...The USA"]

[Text] "The United States Secretary of Defense is in the cabin of the latest top secret Soviet bomber, about which few Soviet citizens, including military servicemen, know very little even from hearsay... There are American military specialists at Soviet missile complexes and military-naval bases... The Soviet Minister of Defense walks along the corridors of the Pentagon... Soviet military specialists are testifying at hearings before the American Congress... There is an agreement on cooperation between the CIA and the KGB..."

This is the picture, which seemed incredible and fantastic even yesterday but which has become almost commonplace today, depicted by Moscow Institute Professor of International Relations and Doctor of Juridical Sciences V. Danilenko in his book, "The USA and Perestroika", which is soon to be published by the "Mezhdunarodnyye otnosheniya" [International relations] publishing house. It has become, in the words of the author, the unexpected result of his long-term scientific work assignments at universities in the USA.

[Danilenko] Believe me, back then I could not even imagine that upon my return I would immediately set about writing a book, that the need to write it and to express myself would be so great that it would supercede all my plans for the summer. I wanted to immediately share my impressions and ideas about what our perestroika means to the Americans and to try to interpret how they understand it and, most importantly, how our perestroika is changing the Americans themselves.

[Correspondent] How and in what way is this expressed? You, Viktor Nikolayevich, as a man who has lived for several months in the USA and who has worked and talked with [the Americans], have been able to capture something that would allow you to speak with assurance about irreversible changes in the attitude of Americans toward us?

[Danilenko] You know, in this question I sense impatience and a certain mistrust which is characteristic of our people, who have grown tired of waiting for changes. We want clear proof and immediate results showing a predisposition toward ourselves. Where are [these results], they say? Let us look at the matter calmly. We will begin by trying to define how perestroika has changed America, and consequently how it has changed America's attitude toward us. And it is a fact that it has indeed changed it. It is enough to look at the title of one of the articles in the influential journal AMERICAN ENTERPRISE, "How Has Gorbachev Changed Us?"

These words appear on the cover. Yes, the changes have been significant, and they affect the sphere of domestic as well as foreign policy. I may refer to my own observations.

Let us take the press, for example. It is competing in its effectiveness and fullness of reporting the latest news from the USSR. The newspaper headlines are often almost entirely devoted to reports about events taking place in our country. This never happened before. The character of the publications is notable: They have become deeper, more varied and more objective. Positive materials and evaluations predominate. If they speak about our shortcomings, it is with concern, in which we see a desire to aid in the search for successful solutions.

One of the peculiarities of America today is the sharp increase in prestige of the profession of sovietologist [Soviet studies specialist]. We never used this word before except in quotes and with derogatory epithets. Anti-sovietism as a necessary condition in studying the Soviet Union, which was engendered by the "cold war", began to subside in the works of the sovietologists.

Finally, there is American business. Do not smile. Of course, the flow of American goods and capital has not rushed to the USSR. However, the increased attention toward possible business contacts and the study of appropriate prospects are obvious. The first practical, if as yet very limited contracts and agreements have been concluded by rather prestigious firms and corporations—Occidental Petroleum, Cummings Engine, Chevron, Pepsico, Combustion Engineering, etc.

Believe me, I am not trying to smooth off the sharp angles in Soviet-American relations. Especially since there are more than enough of them. Let us recall at least the Lithuanian question. It evoked a tense, dramatic discussion in U.S. political circles. The favorable view of perestroika and the positive dynamics of our mutual relations were placed in question. And it is only thanks to the efforts of the G. Bush administration, combined of course with the firmness and resolute actions of Soviet leadership, that it was possible to save the situation. This crisis was not the only one and, obviously, not the last. Yet I am convinced that today the specific conditions will no longer be able to lead to a disruption of the rather stable views of Americans toward perestroika, especially since it, perestroika, I repeat, has already become not only our cause, but also theirs, a serious factor of American domestic political life. It is no accident that in the course of his September visit to Moscow J. Baker considered it expedient to once again emphasize that "the success of perestroika is needed not only by the Soviet Union, but it is also in the interests of the United States and the entire world".

[Correspondent] Nevertheless, is the USA ready to help us in practical matters? We know that aid to the USSR was discussed at the high-level meeting of NATO countries in London, as well as at the meeting of the "seven"

in Houston... And in our country too they turn quite often to this topic. However, we get the impression that we and the Americans have different attitudes toward the problem of aid, and that it is still too early to speak of any tangible results. This is confirmed also by the rather streamlined report on the visit to the USSR by the managing director of the International Monetary Fund, M. Camdessus. The chief banker of the West only promised to establish cooperation with the USSR in utilizing management experience and the expert evaluations developed by the IMF for solving the problems of structural reorganization of the Soviet economy...

[Danilenko] Excuse me, but do you think that this is not enough? Why do we need expert evaluations, without which not a single serious step is taken in the West? Western specialists believe that the more decisive and successive the reforms in the Soviet economy are, the faster Soviet society will change as a whole. Only this can prepare the conditions for placing on a practical plane the question of including the Soviet Union in the long-established and well-ordered system of international economic relations.

The United States and the Western world as a whole have reason for doubt as to whether or not the aid which they can offer us will go down the drain. Why do they think so? There is a strong opposition to radical economic reforms in the USSR. It is enough to remember even the course of discussion of the corresponding problems at the session of the USSR Supreme Soviet and the divergence of positions of the union and Russian parliaments. We also cannot overlook the still very significant influence of the conservatives in the managerial apparatus, especially at the local level. And political pluralism too is in reality still taking its very first steps. (In parentheses I will present the remarks of Senator B. Bradley on this matter: "Obviously, economics cannot be fully removed from politics. Economic relations at their root have political importance. Yet it is unthinkable that all economic decisions, specifically questions of investments, trade, credits, etc., always be made only by political leaders"). The global ideologization of the Soviet economy is considered in the USA to be a strong inhibiting factor.

[Correspondent] Let us try to define more precisely the most vulnerable areas of our economy from the standpoint of the Americans. Perhaps we will not discover anything new, but I think it would not hurt to listen to the opinion of practical business people...

[Danilenko] Perhaps you are right in the sense that we will not learn anything new. Yet nevertheless (with consideration for our current parliamentary debates)... First of all, the Americans are pointing to the "excessive dominance" of state ownership of means of production. Such ownership, as a rule, is faceless. No one values it—not the bureaucrats who functionally manage it, and especially not the workers. In short, as the song goes: Everything is the people's, everything is our own... That is why much in our country stands idle and spoils.

There is an apparent absence of a clear-cut mechanism for realization of the adopted economic decisions. Well, what else? Serious shortcomings in the budget policy, unfulfilled deals, ossification of material means, and a practical absence of levers of economic influence by the government on the producers of material goods. Our tax system is especially the targeted. It is considered, specifically, by University of Pennsylvania Professor H. Levine, to be "very primitive"...

[Correspondent] Viktor Nikolayevich, do you not get the impression that the search which was evoked in our country by perestroika has also forced the Americans to take a look at themselves, to see how they themselves live, and to conclude that they are living quite well? And it is specifically because their system of values ensures the people a normal, worthy existence that Americans are convinced that they have the right to give advice and convince others how better to organize their lives. We can understand them. After all, the more contented countries and people there will be in the world, the happier and calmer will life be for America...

[Danilenko] It is specifically for this reason that they are so seriously interested in our affairs in the United States, and that they become sincerely disappointed when they learn of our difficulties. Yet they become even more disappointed because they do not understand our country's stubborn rejection of things which, from their standpoint, are so obvious. This leads to the fact that they still cannot resolve the question which is the main one both for us and for them: How to conduct business with the Soviets? The question is analyzed in two aspects: What would the Soviet Union like and how does it see business cooperation with America and possible economic aid on its part. This is in the first place. Secondly, what must the conception of cooperation and aid be from the standpoint of American interests?

To give aid with the retention of the current economic mechanism in the USSR, I have often had occasion to hear, is tantamount to pouring water on the Sahara desert. Particular emphasis is placed on this. The well-known Jean Kirkpatrick states this principle as follows: "Economic aid must in the most direct manner be tied to programs which help to strengthen and develop new incentives and new methods of production. This is necessary not because we want to control the domestic affairs of the Soviet Union or get rich off of its problems, but because we want successful development of the economy. Moreover, it is very important that, in trying to help Gorbachev, the United States and the other Western government select such forms of aid which... would aid in the development of trade. The latter will involve the Soviet Union and Eastern Europe into the world business (but not bureaucratic) system of mutual relations, by means of which they will be able to make money and, as Lenin insisted, learn to trade".

So there you are. She even recalled Lenin appropriately.

[Correspondent] Let us consider that Soviet aid to America has begun... When and in what forms will American aid begin? The fact that we are awaiting it was again stated by M. Gorbachev in his recent meeting with a group of American businessmen. He again stressed the expediency of such aid and our readiness to attract foreign capital...

[Danilenko] Let us speak frankly: Today we are not ready to utilize possible economic aid from abroad (we should not confuse desire with readiness). This is explained by our economic mechanism which we still retain. As for the Americans, they have the necessary potential for giving such aid. The USA is only waiting for us to go from talk of economic reform to reform itself.

It is difficult to cooperate with you, notes Professor J. Hough. You are always changing the rules of the game. You cannot do that. You are undermining trust in the system, and without trust how can we speak of any contacts?

What is it that they specifically dislike? American businessmen are extremely disappointed in the absence of a clear-cut legal basis for economic activity. The matter is not in the content of Soviet laws, although, of course, they would prefer legislation which is more customary to them. The problem is that our legislation has many serious gaps. Many questions are not regulated at all and

the mechanism of legal protection of entrepreneurs is weak, especially when they are right. This leads to the tyranny of bureaucracy, excessive red tape, endless submissions for approval, and the desire to take cover behind the enigmatic but essentially empty words "we must think..." Yet for business the main thing is efficiency of decisions and the readiness to assume the burden of personal responsibility. In the Soviet Union they seem to forget that the American businessman, whom we depicted for many decades exclusively in dark tones, is used to operating within the framework of the law, to respecting the law. Moreover, he is used to dealing with a predictable partner.

[Correspondent] Everything you have said may be viewed as a task for our perestroyka. I hope that it will be perceived seriously in our country. Well, and we can evidently continue our discussion forever...

[Danilenko] I understand, it is time to end. The topic really is an endless one. Metaphorically speaking, both of our peoples are just now approaching it. How it will be "developed" depends on all of us. The world is turning, finally getting a certain definite point of reference, turning right-side-up, listening to the logic of common sense. And the basis for this transformation, its primary reason and motivating force, is the phenomenon known throughout the world as perestroyka. In fact, this is what I wanted to say in my book.

**Swedish Minister Outlines Support, Aid Proposals for Baltic "Liberation"**

91UF0011A Riga SOVETSKAYA MOLODEZH  
in Russian 17 Aug 90 p 2

[Article by Sten Andersson, Swedish minister of foreign affairs: "Sweden and the Baltic Republics"]

[Text] For us in Sweden, the political developments in the Baltic zone in recent years have meant something like a renaissance in our contacts with our neighbors across the Baltic Sea.

We in Sweden have followed events in the Baltic republics in recent years with admiration, and sometimes with indisputable amazement. For the Baltic people, they have signified great success in the development and establishment of the democratic values that are an irreplaceable part of our common European heritage.

In recent months the inhabitants of the three Baltic republics were able to elect new democratic national assemblies. I would like to stress that the public and the Riksdag and government regard the parliaments in Estonia, Latvia, and Lithuania as the legal representatives of their people. The three Baltic parliaments have clearly demonstrated—although in different ways—their intention to manifest the right of their people to self-determination in the form of their own independent states.

Sweden supports and applauds this intention. There is strong support in our country for the right of Estonia, Latvia, and Lithuania to carry out this intention. We also insist that independence must be achieved in the spirit of the Helsinki agreement—i.e., peacefully and by means of dialogue and compromise. This is why we in Sweden were seriously disturbed by the economic and political pressure the Soviet Union was exerting primarily on Lithuania. This kind of confrontational policy does not benefit anyone. The conflicts between Moscow and the Baltic republics can only be resolved through negotiation and agreements. Future political relations between the Baltic zone and the Soviet Union should be a product of the negotiation process we hope the directly involved parties will begin soon.

Sweden, however, should not wait for the results of this negotiation process to develop contacts with its neighbors across the Baltic Sea. We can begin strengthening and developing our contacts in several areas today.

Political contacts have been more intensive in recent months. This applies to a considerable extent to the parliamentary sphere. We in Sweden have already had the honor of receiving delegations from the three recently elected Baltic parliaments and we are hoping for the continuation of contacts and the exchange of experience. Political parties are also establishing broader contacts with the new parties in the Baltic zone. It is from this vantage point that I view the role of the Swedish Riksdag and political parties and the experience

needed to strengthen the democratic development of society which has begun in the Baltic zone.

Contacts have also been developed in the sphere of economics and trade, although economic and commercial contacts between Sweden and the Baltic republics are still far from the natural volume between neighbors. Many obstacles and problems still exist, and we must make an earnest effort to eliminate them and find new solutions.

The process of reform in the Baltic zone will also entail a move from the earlier, strictly centralized, planned economy to a market economy. This is certain to give rise to several temporary difficulties, especially in view of the fact that decisionmakers and businessmen in the Baltic republics will have to begin working in an absolutely new way. In many cases there will be a lack of knowledge and experience, and Sweden is also prepared to offer assistance in this area. In particular, we suggested a course of study for the people making decisions in national economic management and administration. The Swedish Government also decided that young people from the Baltic republics could work as trainees in Sweden. This program, which is scheduled to start this year, will give the trainees a chance to work up to 12 months in Sweden for experience in modern national economic management and administration.

The Baltic republics will also experience official governmental support in the form of the billion kronor the Swedish Riksdag has allocated for economic and political development in Eastern Europe in the next 3 years. This applies above all to technical assistance in various fields, with a special emphasis on environmental protection. The improvement of the critical ecological situation in this region, including its effects on the Baltic Sea, will be one of the priority fields of cooperation. The Scandinavian Venture Capital Society, which was established as part of the Scandinavian Investment Bank, will have an important role to play in this process. To reaffirm the importance of broader international cooperation in environmental protection, Sweden joined Poland in proposing the conference on the Baltic Sea which will be held in Sweden at the beginning of September this year. All of the littoral countries, as well as Czechoslovakia and Norway, have been invited to the conference.

The Swedish Government also wishes to support broader cultural contacts in order to promote closer relations between the Swedes and our neighbors across the Baltic Sea. Official Swedish cultural delegations visited Estonia and Latvia. In a certain sense, these delegations "opened the door" and laid the foundation for the network of contacts that subsequently began developing naturally and directly between interested cultural institutions. A delegation was also scheduled to visit Lithuania this April, but, unfortunately, the trip had to be cancelled because the members of the delegation did not obtain visas. I hope this trip to Lithuania can be made soon.

On the human level we have grown closer to one another as a result of the perceptible improvement of direct communications. Today direct flights from Stockholm to Tallinn and Riga take less than an hour. Ferries began sailing from Sweden to Estonia again recently, for the first time in 50 years. Cruises between Sweden, Estonia, and Latvia were also revived. We can visit each other, learn about each other, and lay the foundations for broader cooperation to an extent which was impossible just a year ago. Nevertheless, the improvement of communications, especially postal and telephone, must continue.

I have mentioned only a few areas of cooperation. My list certainly could be much longer.

The process of the liberation of the Baltic people was a source of particular exhilaration for me personally. Some of my parents' Estonian friends came to Sweden on boats as refugees at the time of the occupation in 1940. I was 17 then, and I was extremely upset by the treatment of the Baltic people and disturbed by the Swedish coalition government's recognition of the Soviet Union's annexation of the Baltic countries.

Today, as the minister of foreign affairs, I can sympathize more with the government's action. It was certainly dictated by discouraging political realities. All of our neighboring countries were occupied. Sweden was surrounded by the vast armies of Hitler and Stalin.

But that is enough about the past. Today we should be discussing our common future. I sincerely hope that the cooperation between Sweden and the Baltic republics will quickly grow broader and deeper. The Swedish people, the Swedish Government, and Swedish organizations have expressed a profound and strong wish to take part in this development.

It is difficult for us to imagine peace and cooperation in the future Europe without the full participation of the people of Estonia, Latvia, and Lithuania in these processes.

#### **Roots of Finnish 'Loyalty' To USSR Viewed**

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1 Oct 90 pp 26-29

[Article by Leonid Mlechin under the rubric "USSR-Finland": "A Spoonful of Hot Porridge"]

[Text] Everything could have been different. Had the Finns 50 years ago displayed less determination, and had Marshal Voroshilov been able to defeat Marshal Mannerheim, then it could have well happened that the Soviet Union would have had on its northern border a Finnish Soviet Socialist Republic, or at least a People's Democratic Republic.

At any rate, a government of a "People's Finland" headed by a prominent Comintern official and former leader of the Red Guard, Otto Wilhelm Kuusinen, had

been formed and awaited the day when it could enter Helsinki in Soviet tanks. The Finns, however, defended their uncomfortable, cold land with the same resolution as Soviet soldiers defended theirs a year later. The peace treaty was signed on Moscow's terms: Finland lost the island of Hanko, Karelian Isthmus with Vyborg, the Pechenga district in Lapland and several more islands in the Gulf of Finland, which it had acquired in 1920 under the Tartu peace treaty with Soviet Russia—Lenin gave it to them, Stalin took it away. But no people's democratic republic was formed. The Finnish Government prepared for it by a decision of the Politburo faded away, while Kuusinen had to console himself with the far more modest post of member of the editorial board of the magazine NEW TIMES, founded shortly afterwards.

#### **Helsinki Remains Loyal**

Only the older generation is familiar with the term "buffer states," used to describe Latvia, Lithuania, Estonia and Finland, which had received their independence after the October revolution. Only Finland retained its independence. In 1940, and probably later, Moscow viewed this as a misfortune. The political leaders in our country kept to the logic of medieval barons: just a friendly neighbour did not suit them if his estate and castle could not be annexed, he should at least be turned into a vassal.

But what is the situation now? Latvia and Estonia are trying to break away from the Union. The irritation that accumulated over decades has reached the point of explosion, and the impression one gets is that along the Baltic coast we have not a string of friends, but virtual enemies. And what about Finland?

Finland, probably, is the only country bordering on us where Soviet people are welcomed exactly as they were in the past. No one looks with irritation at the numerous tourist groups. Finns applaud the performances of Circassian choirs and look with firm optimism to the Soviet market. The Finnish papers display no enthusiasm for exposing the vices of real socialism, and the Finns are not touching the Lenin memorial.

It is, probably, in Finland that the leader of the October revolution can count firmly on his memory remaining untarnished. At least the statue in Helsinki of the liberal tsar Alexander II, who granted certain freedoms to his subjects, has survived all wars and revolutions. Lenin, too, has gone down in Finnish history as the man who granted the country independence. Even school children know that when in October 1917 the Finnish parliament proclaimed the country a republic, no country rushed to recognize the new government in Helsinki: all awaited the reaction of Lenin's government.

Stalin's lack of success in 1940 proved to be a great piece of luck for our country. For Moscow, the Yalta agreement concluded between Stalin, Churchill and Truman in 1945 signified that the West had agreed that countries neighbouring on the USSR should be governed by friendly governments. Now it's becoming clear that the

Yalta agreements have been fulfilled in respect to only one country—Finland, which to this day remains loyal to Moscow.

### And Millions of Dollars Aren't Needed

Yet in 1939-45, when Finland and the Soviet Union were twice at war with each other, the small northern state lost 87,000 people—2.3 percent of its population (each of the dead was brought back home for burial). Finland also lost one tenth of its territory—it passed to the Soviet Union. Four hundred thirty-six thousand Karelians declined Soviet citizenship and, leaving their homes, went to Finland.

A few Kurile Islands in a similar situation have been preventing for half a century the Soviet Union from getting along well with Japan. The Finns, however, stoically survived the loss of Karelia. At talks in Moscow in September 1955, the Finnish delegation inquired cautiously about Karelia. On receiving a firm "no" in reply, it never again returned to the subject.

And what about the refugees? Today we know from our own experience how refugees uprooted from their normal way of life can turn into an explosive potential. The 436,000 of former inhabitants of Karelia could have become a permanent source of anti-Soviet sentiment. As was the case, say, with the Germans who fled from Eastern Prussia when it was turned into the Kaliningrad region. Finland, however, took care of the refugees—it did not put them into camps, nor turn them into unwanted hangers-on, but re-settled them carefully throughout the country. Not only did they receive a monetary compensation, but also land, where they could settle and put down roots.

That was not the first time Finland had to cope with the problem of the social and political stabilization of its society. In 1918, the country had to live through a civil war, when the Reds fought against the Whites, and the latter won. The Red Guard consisted mostly of poor, landless peasants, so when the war was over, the first thing the victorious side did was to put through a land reform and create 100,000 new farms. Many of them were very small, not very profitable, but the tension in society receded.

When the Second World War ended, Finland was particularly bent on placating Moscow. Supreme Commissar Zhdanov demanded the punishment of the war criminals. A new law was adopted, which in violation of the Finnish legal system, gave retrospective force to prosecution, and eight politicians found guilty of starting war against the USSR were put behind bars.

Helsinki also made much greater sacrifices. In 1947, its government refuses to take part in the Marshall Plan. That deprived the country of many millions of American dollars, but placated Moscow.

### National Egoism

Were the Finnish Government's decisions prompted only by fear of Soviet occupation? The Marshall Plan was to have saved Europe from communism, but Finland saved itself from communism by saying "no" to the Marshall Plan, as the former Finnish representative at the United Nations, the historian Max Jacobson put it. Of course, at that time many Finnish politicians viewed the prospects as very gloomy: a blend of traditional Russian imperialism and the communist doctrine of a world revolution left tiny Finland few hopes for survival. Communist regimes were being installed in one East European country after another. The 1948 events in Czechoslovakia (the sole East European country where genuinely free elections were held after the war), when what the West described as a communist coup took place aroused special concern in Finland. Many felt that they would suffer a similar fate. Especially since the communists in Finland had polled a fair amount of votes and were included in the government. (Who at that time in Finland could foresee that, like in other Western European countries, the communists would soon lose their influence and ministerial posts. In the sixties, when the younger generation upheld left-wing ideas, there would be a resurgence, or that President Kekkonen would include them again in his government in 1966, but the occupation of Czechoslovakia in 1968 would destroy Leftism and split the communist party into those who remained loyal to Moscow and those who wanted independence... In 1975, the Communist Party would win 40 seats out of 200 and in 1983, 27. In 1987, the two communist parties would put forward candidates, and the Eurocommunists would win 16 seats, and the dogmatics 4).

In the meantime, the cold war had begun, and the idea of protecting oneself from a dangerous neighbour through a military alliance with the West looked tempting. After all, the Americans had saved West Berlin from Stalin. Maybe they would take Finland under their wing?

Instead of that, in 1948, the Finnish Government signed a Treaty on Friendship, Cooperation and Mutual Assistance with the Soviet Union, which is in force to this day and which provides for joint military action should any one side be attacked. The conclusion of that treaty was part of the new political course known as the Paasikivi-Kekkonen line. More simply it could be described as a policy of national egoism.

Finland is above all a small state, Helsinki argues, and it cannot permit itself what big countries do. In other words, a small state must moderate its national pride and not stick too closely to principles if it wants to survive. In August 1944, Marshal Mannerheim wrote to Hitler, informing him that Finland was pulling out of the war: "Germany, he pointed out, will remain, even if fate does not bring you victory on the battlefield. But no one can guarantee such an outcome for Finland. If a four-million-strong nation is defeated, there can be no doubt that it will be either ousted or exterminated. I cannot

subject my people to such a risk..." The Czech writer Milan Kundera wrote: "A small nation is a nation whose existence could at any moment be placed in doubt. A small nation could be wiped out, and it knows this." While for the emotional Czech writer this was a cause for agony, for the cold Finnish politicians it was a guide to action.

In 1943, the future President Kekkonen summed up this idea in the following words: "Since, in general, small countries cannot influence major decisions in world history, they should confine themselves exclusively to caring for their national existence and preserving their freedom." Later he was to call this formula "pessimistic and cynical," but he continued to be guided by this principle of national egoism.

### Morality Hinders Politics

Paasikivi proclaimed his policy back in 1940, when he was serving as Minister Plenipotentiary in Moscow: "We must not only find a way to coexist, but a way to build such good relations that Russia would not only tolerate Finland's special position, but would regard it as the best solution for itself."

Neither Paasikivi, nor Kekkonen were enamoured with socialism and the Soviet Union, but personal sympathies and antipathies were buried in the name of real politics. When Kekkonen was young, he shared the strong anti-Russian sentiments of his prewar generation. He was one of the few members of parliament who in 1940 opposed a peace treaty with the Soviet Union. But 20 years later, on the eve of parliamentary elections, Khrushchev was to say: he who stands for Kekkonen stands for friendship with the Soviet Union. Who is against Kekkonen is against the Soviet Union.

What idea guided Paasikivi, who in 1920 had concluded a peace with Russia and in 1940 had come to an agreement with Stalin, and during the war had wisely sat out at home?

He had reached the conclusion that Russia's concern for the safety of its northern borders was justified. And Finland should share this concern with Russia by guaranteeing the security of these borders.

Does the readiness to serve alien interests imply national humiliation? Did agreement with Stalin's demands signify a loss of dignity for Finland? These questions were to crop up many times during the life of Finnish society. Both after Stalin's death and during the period of the Brezhnev detente.

The leaders of the country who replaced one another invariably believed that what is to Finland's advantage is both moral and sensible. They often referred back to Johan Vilhelm Stellan, a 19th-century statesman and philosopher. In 1863, he had warned his compatriots: don't express any support for the Poles who have risen against Russian oppression. Highfaluting gestures can only hurt the Finns, and do nothing to help the Poles.

Such an approach is not, probably, regarded by everyone as an admirable one, but Finnish politicians have always been guided by it. When in a postwar parliamentary debate, a member of parliament criticized the government strongly for submission to Moscow, Paasikivi suggested that he go home and take a look at a map to note Finland's position on it.

### Being a Finn is Lucky

Generally speaking, anti-Russian sentiments in Finland have always been balanced by pro-Russian feelings. The Finns twice owe their statehood to the Russians. Not only in 1917, but also way back in 1807, when after the Tilsit meeting between Napoleon and Alexander I, Russia began yet another war against Sweden and on that occasion once and forever deprived it of Finland. As part of Sweden it was a poor and backward province. Included in the Russian Empire with special rights, Finland received the opportunity for independent development, including the right to write and study in its own language, instead of in Swedish. It was during the hundred years as part of the Russian Empire that Finns learnt to make small sacrifices in the name of big gains.

"When somebody wants to downgrade the significance of the foreign policy chosen by Finland, wrote Kekkonen, they underline that our foreign policy was forced on us. But does a peace policy become any less significant if it was brought about by national necessity and is based on correctly interpreted national interests?"

Travelling through Finland today, it is hard to disagree with the late president. The Finns themselves have long been convinced that they were lucky to have been born where they were. Finnish society is a prosperous society. A public opinion poll showed that 8 out of 10 Finns think being a Finn is both a piece of luck and a privilege. The country owes such a state of affairs largely to its special relationship with Moscow.

Finland was not drawn into the ruinous arms race. The 1947 Peace Treaty (with the former allies of Hitler's Germany) imposed certain restrictions on the Finnish army. Italy, Bulgaria, Romania and Hungary, who also signed the treaty, joined military blocs and blandly ignored it. Finland, on the other hand, strictly abided by the letter of the document.

Finland modernized its economy and became an industrial state, instead of the agrarian one it had been in the past, largely thanks to the Soviet Union. At first it was spurred on by the wish to win Moscow's trust: Finland delivered punctually everything that was demanded as reparations. At that time, about half Finland's population was engaged in agriculture and forestry, and timber accounted for four fifths of its exports. Stalin, however, insisted that two thirds of the reparations be made in the form of ships and machinetools—commodities that Finnish industry had never produced in such large quantities. However, as a result, the ship-building and machine-building industries doubled their output in just a few years. Reparations were paid out in full in 1952,

but the Soviet Union continued to buy in Finland what in the past it had received for nothing.

### What Did Marshal Ustinov Want?

Relations between Moscow and Helsinki were not absolutely cloudless, because the Soviet leaders that replaced one another always wanted something more. In 1958, Moscow displayed its displeasure with certain cabinet members from the Agrarian Union by breaking off trade talks and even recalling its ambassador from Helsinki.

In 1961, during the Berlin crisis, Khrushchev suggested holding military consultations, as provided for in a case of a direct military threat to one of the sides. Kekkonen rushed to Moscow and managed to persuade Khrushchev not to take such a step, which would have set Finland against the whole Western world.

In 1978, Defence Minister Ustinov, while on a visit in Helsinki, tried to push the idea of joint military exercises, allegedly in keeping with the 1948 treaty. Kekkonen refused even to discuss the matter. He had to deal with people incapable of a realistic policy. Simply a friendly Afghanistan was not enough for them. Simply a friendly Finland was not enough.

Kekkonen could have been said to have devoted his entire life to protecting his country from all Moscow's encroachments on it. He was forbearing with Moscow politicians, and very strict with Finnish ones. When *Izvestia* expressed displeasure with the proposed composition of the Cabinet, an anxious Kekkonen told his colleagues, "If a government is formed including politicians—which for some reason or without any reason the Soviet Union regards as hostile to it and whom it does not trust—then a step will have been taken towards a new and wrong foreign policy." To the Ambassador in Moscow, he wrote about the Agrarian Union's leader: "Before he can be useful to the country, his sincerity must win the trust of the Soviet leadership... He failed to understand this. What a pity."

Kekkonen closely watched to see that the Finnish press have displayed the maximum loyalty to Moscow and took to heart any criticism of his relations with Soviet leaders.

For Moscow, Finland was a perfect example of peaceful coexistence, a model to be offered to others. Advantageous trade, friendly contacts at all levels and no grudges against each other.

Finns came out in the streets to protest against the invasion of Hungary and Czechoslovakia, but in the United Nations, the Finnish delegate refrained from condemning the Soviet actions. Finland did not support dissidents, nor demanded the release of political prisoners, it granted no one political asylum and returned refugees. What more could Moscow want?

### A Vivid Example

Kekkonen believed in the magic of personal contacts and was not mistaken. It was easiest of all to get on with Soviet leaders during a hunt or over the dining table. With Kosygin, Kekkonen hunted for several years in a row in the quiet spots of numerous reservations. "Soviet leaders are my good personal friends," Kekkonen used to say with pride.

Finnish papers have only recently, some journalists complained, received the opportunity to write what they want about the Soviet Union. Kekkonen is often criticized for his friendship with former Soviet leaders. Big changes are imminent in trade and economic relations—instead of clearing exchanges—the amount bought must be balanced by the amount sold—payments will be in hard currency, and Soviet consumers could give preference to American or Japanese goods over Finnish ones. Will the special relationship be preserved between the two countries? Arno Karhilo, deputy foreign minister and former ambassador to Moscow, believes that the changes taking place in the Soviet Union will not in principle affect the basis of Soviet-Finnish ties. The Finnish Foreign Ministry is in no hurry to put out feelers—like American and other Western European diplomats—to set up ties with Soviet opposition and the republics seeking sovereignty, even with Estonia.

There was a time when the West seriously feared that Finland might be going communist. Franz Josef Strauss, the Bavarian politician who for decades was the favourite target of Soviet cartoonists, once invented the term "Finlandization," meaning that a country becomes dependent if it has too close a relationship with the Soviet Union.

Kekkonen flared up: "Even if the rest of Europe becomes communist, Finland will remain a traditional northern democracy," he declared in the presence of Khrushchev, who replied: In that case, Finland will become a museum Soviet youth could visit to get an idea of what capitalism, that has disappeared from the face of the earth, was like.

Finland did not become a museum. But that term quickly caught on and is part and parcel of current political lexicology of the displeasure of Helsinki. The Kremlin also seemed slightly hurt, although, generally speaking, Finlandization best suited Soviet postwar leaders' idea of ideal relations between states. Today this model could prove of practical use in respect to relations with Eastern Europe and the Baltic republics. If one does not seek an ideological union, if one does not impose one's views and accepts the full sovereignty of one's partners, then one gets the best possible type of relations... Some of the advice given by Urho Kaleva Kekkonen seems to be universally applicable: "A nation should depend only on itself... No one will blow on our spoon of hot porridge except ourselves. If we do not do that ourselves, we'll get badly burnt."

## East Europe's Continued Economic Dependence on USSR Foreseen

### 'Mistaken Decision' Noted

90P50010A Moscow SOVETSKAYA ROSSIYA  
in Russian 12 Oct 90 Second Edition p 5

[Unattributed article: "Taking Reality into Account"]

[Text] For the foreseeable future the economies of the countries of East Europe will be able to develop normally only if they maintain close ties with the Soviet Union.

The overly rapid reduction in cooperation with the USSR in many areas has led to the appearance of serious problems, the resolution of which will be extremely difficult without reestablishing this cooperation. This is the conclusion reached by FRG economists, analyzing the situation taking place in the national economies of the East European states.

Ninel Danos, scientific associate at the University of Frankfurt-am-Main, writes in the weekly DIE ZEIT that one common feature characterizes the activity of the Council for Mutual Economic Assistance: Many of the countries, having entered, tried, no matter what, to get out from under the "guardianship of Moscow." The common striving for the fastest integration into the Western economy has become so strong that sober calculations have been pushed aside and obvious facts have been ignored. The East European countries have forgotten, apparently, that their currency has not yet become freely convertible. No attention has been paid to the fact that their products can hardly compete in the world market. A multi-faceted, businesslike analysis has not been done. All the "pros" and "cons" have not been weighed. As a result, the governments of these countries have adopted erroneous decisions, not understanding that cooperation with the Soviet Union is in their best interests.

### Bulgaria Appeals for 'Exception'

90P50010B Moscow SELSKAYA ZHIZN in Russian  
13 Oct 90 First Edition p 3

[Article by TASS correspondent I. Mishakin: "Bulgaria's Request"]

[Text] Sofia, 12. (TASS correspondent I. Mishakin.) CEMA's decision to change over to payment for raw materials in hard currency as of 1 January 1991 puts Bulgaria on the border of complete catastrophe. Taking into account the exclusive attachment of the country to the Soviet economy, Bulgarian president Zh. Zhelev has appealed to the leadership of the USSR to make an exception for Bulgaria, granting them a special change-over period, during which they would continue to pay in transferable rubles. The Bulgarian head of state announced this during his speech on Thursday at the session of the Bulgarian Supreme People's Assembly.

The Bulgarian leadership's request was set forth during the course of Zhelev's meeting in New York with USSR Foreign Minister E.A. Shevardnadze. The extremely serious condition of the Bulgarian economy, the president emphasized, was not only a result of the crisis in the Persian Gulf, but a consequence of the fact that two-thirds of Bulgaria's foreign trade is with the Soviet Union. Zh. Zhelev noted that almost all the plants and energy suppliers had primarily counted on Soviet resources.

### Problems in Soviet-Polish Trade Examined

91UF0038A Moscow TRUD in Russian 5 Oct 90 p 3

[Article by TRUD correspondent S. Prokopchuk: "And We Must Solve the Problems; On the Current Difficulties in the USSR's Trade-Economic Relations With Poland"]

[Text] Long lines at the gas pumps have now become customary in Warsaw. What has happened? It turns out that on 1 September, according to the data of our trade representation in Poland, we undersupplied our long-time partner by over 1.5 million tons of oil, and provided only 50 percent of the gasoline which we had promised for this year.

Soviet oil products today satisfy over 80 percent of the needs of the republic's national economy. Its infrastructure in the 70's-80's has in fact been fully "tied" (with oil- and gas pipelines, high voltage power lines and a specially laid wide railroad track) to our fuel-energy raw materials, primarily from Tyumen and Eastern Siberia. Yet the extraction of oil and gas is becoming more and more expensive, and these underground stores are, after all, not unlimited.

"Being undersupplied with oil products, the Polish side in turn promised to curtail its shipments of coal, coke and sulfur to us. At the same time, it refuses to accept our lumber materials, plywood, chromium ore, synthetic rubber, tractors and a number of other articles of traditional import from the USSR for next year.

The Soviet trade representative in the Republic of Poland, G. Shchukin, has worked here for many years and clearly sees what a difficult situation is arising in our economic cooperation.

"The Polish side does not hide its tactics," he says. "It is striving to achieve a positive balance for itself in its trade with us. Today the positive balance in Poland's favor already comprises 2.3 billion rubles. By the end of the year it promises to grow to 3 billion, i.e., to a sum exceeding half of the Polish debt to the USSR in transfer rubles. It looks as if the Polish partners intend to repay their indebtedness to us by this means in the near future. In any case, today they place the question of their debts before us more and more persistently. This has become particularly noticeable after the publication of the USSR President's Decree on the transition to accounting with the CEMA member states in freely convertible currency

(FCC) and according to current world prices, which is to become effective 1 January 1991.

"Yet for the present day," adds Deputy Trade Representative V. Shklyarov, "neither side is ready for such a transition. The main thing is lacking—the mechanism of transition to FCC. No standards have been developed to accompany the inter-governmental and inter-departmental documents, and without them it is impossible to realize the president's Decree. Moreover, the transition to FCC in essence requires a review of all the Soviet-Polish treaties and agreements. For example, [the agreements] on airline routes and tourism, and on the participation of Polish specialists in developing the USSR raw material base..."

The decision to change over to accounting in FCC at current world prices in trade with the CEMA member states demands great responsibility, competency and professionalism from our specialists participating in the negotiations. Yet these qualities are sometimes lacking in those to whom the fate of public money has been entrusted.

Here is an obvious example. In the special inter-bank agreement on the order of accounting and performance of clearing dollar accounting which was concluded in the spring, Soviet financiers for some reason "forgot" to include an article which would define the adequacy of the exchange rates for currencies of the two countries in relation to freely convertible currency. This allowed the Polish side to introduce in unilateral order an exchange rate of the USA clearing dollar in accounts with the USSR at a level of 7,500 zloty. In other words, the exchange rate was reduced by 22 percent as compared with that exchange rate of the zloty to the dollar according to which all of Poland's financial operations with other countries are conducted. This inadvertence by our bankers, along with other mistakes by the Soviet side, was used by the Poles to achieve a positive trade balance also in the experiment on the clearing dollar. Fortunately, this is still a conditional, symbolic dollar. Nevertheless, we must repay a sum in the amount of 100 million in additional deliveries of Soviet goods.

"Yet already tomorrow this will no longer be an experiment," noted one of the Soviet associates of the USSR embassy. "At the same time, there is still no clarity on the fundamental questions which worry both us and the Poles: What will happen to the Polish indebtedness, will we agree to the unprofitable 'transitional period' which is ruinous to us, with accounting performed in the former transfer rubles? In what currency will crediting be performed?"

The adoption of decrees of sovereignty by the union republics caused great confusion among the managers of Polish enterprises and departments. Many asked whether the long-term agreements on deliveries of fuel-energy raw materials which were concluded with the USSR government would remain in effect.

Half-heartedness and sluggishness in the actions of our foreign economic departments in terms of ordering the mechanism of transition to FCC in trade with one of our traditional partners may already today, in the opinion of my fellow conversationalists, lead to the disintegration of economic ties which were formed long ago.

These problems must be solved—and immediately.

### Difficulties in Privatizing Polish Economy Summarized

91P50021A Moscow ARGUMENTY I FAKTY  
in Russian No 43, Oct 90 p 7

[Article based on TASS material: "Is it Easy for the Private Businessmen?"]

[Text]In Polish agriculture individual peasant farms predominate. In the cities there have always been craftsmen, owners of small public dining enterprises or service bureaus, taxi drivers, and people leasing small trading areas. They work in accordance with the trade code of laws in existence since the 1930s.

Today in Poland this sector exists in industry, construction, transport, trade, public dining, in the service sphere, and in health care.

The relative share of the private sector is constantly growing. Ten years ago its volume of production comprised 2.4 percent of general production, last year it was 6.6 percent, and this year it is expected to be 8.8 percent. The structure of this sector has changed very little. The overwhelming majority are small enterprises, employing one or two people. In the beginning of 1990 1.7 million people were employed in this sector.

The government program of economic transformation called for a sharp rise in the number of private enterprises. But the main factor for development of this sector—privitization of industry—has not been active for a long time.\* Nor has the economic situation in the country worked out as the reformers had foreseen. And private businessmen are faced with difficulties.

First of all, prices and the corresponding production expenditures have more than doubled, and the demand for products and services has decreased.

Second, the recently adopted law which includes housing, buildings, and production premises in market turnover has worked against private businessmen. Owners of premises (it is not important who they are—the state, a department, or a private citizen) have been given the right to cancel leases and conclude new ones. The majority of owners of private enterprises or firms do not have their own premises, but are renters. And now, when building owners are trying to find more advantageous tenants, many craftsmen are denied leases.

Third, the unprecedented rise in prices for raw material, materials, electric power, and production areas, as well

as increased taxes and elimination of investment privileges have led to an acute worsening of the financial situation of the craftsmen.

To defend their interests, private businessmen have created an "economic society" demanding a stable economic situation for themselves. This regards taxes first of all.

The new society is already taking its first steps. It has leased a 2-hectare area in the capital for organizing a wholesale trade base. The draft proposal for creating in one area of Warsaw of a special trade-financial center, where up to a hundred private firms could operate, has been presented to the city authorities.

In the opinion of a number of Polish specialists, special attention should be devoted to the private sector, especially that existing in production and trade. It should be considered the "yeast of the system" of the future market economy.

\*When this issues was being prepared for the press, it was reported that large industrial enterprises are being sold to private citizens.

#### **Moldavian, Romanian MVD Cooperation Reported**

90UN2724A Kishinev SOVETSKAYA MOLDOVA  
in Russian 9 Aug 90 p 2

[Interview with Ivan Grigoryevich Kostash, Moldavian SSR minister of internal affairs, by S. Bunesku: "In the Interest of the People"; time, date, and place not specified]

[Text] A few days ago a group of associates of the Moldavian SSR Ministry of Internal Affairs [MVD] headed by the Minister I.G. Kostash visited Romania, where they learned of the experience of the work of the Ministry of Internal Affairs of that country. The Moldavopres correspondent asked him to share his impressions of the trip.

[Kostash] Our visit took place in an amicable and warm atmosphere. Mr. Doru Viorel Ursu, the minister of internal affairs of the Republic of Romania, acquainted us with the structure of the Ministry he heads and the organization of specialist training for his subdivisions. We visited educational facilities and training centers for officers and so-called subofficers and other cadres for the police and gendarmes and learned of the work of the police of the Bucharest municipality and one of the districts.

The President of the country, Mr. Ion Iliescu, received us. During the conversation the general opinion was expressed that expanding ties and contacts between the law-enforcement organs of Romania and Soviet Moldavia would be a good idea. Agreement was reached on a special-purpose exchange of cadres and on expanded

personal contacts between officers. Our republic was promised help in organizing a higher school of national police.

[Bunesku] So will the police be created in Moldavia on the Romanian model?

[Kostash] You did not understand me quite right. Of course, we will borrow some things from Romanian know-how, but we will also use what we consider to be rational in organizing this work from what is available in other democratic states. As a result, an independent national police of the Moldavian SSR will be set up. Our Ministry will represent an altogether new organizational structure differing from the present one. It will consist of several departments, which are to include paramilitary units to keep public order, carabanieri as they are called in the Western countries. The Ministry's structure is planned to have economic, criminal, ecology, and morals police, as well as municipal police. Auxiliary services are also envisioned.

[Bunesku] In Western countries the municipal police are naturally subordinate to the municipalities. By analogy, will they fulfill the will of the soviets of people's deputies in our country?

[Kostash] I emphasize once again that we do not intend to copy exactly the experience of other states. After careful study, we will create a structure which will be in keeping with the unique national features of our republic.

[Bunesku] Everyone knows that the USSR MVD Kishinev Police School can barely find students. Won't you encounter that problem too?

[Kostash] Such a situation has in fact developed now. But we are trying to do everything possible to ensure that the profession of policeman, one that is associated with risk and danger, will become prestigious, the keepers of order will enjoy trust, respect, and authority in society, and a young person will consider it an honor to devote his life to service in the police. This has already been achieved in Romania. There are up to nine people applying to enroll for each place in the police academy.

[Bunesku] Among some of the population there is a hostile attitude toward a man in a police uniform. What will be done to reverse that?

[Kostash] First we will get rid of desultory workers and ballast. We are going to select people very carefully, above all by their moral qualities, intellectual abilities, and health and physical training. We will admit only students from our republic, regardless of their nationality, into Moldavian SSR MVD educational institutions. Of course, instruction will be primarily in the official state language. But we plan to set up groups with instruction in the Russian language, and conditions will be created for those students to learn Moldavian. The

Romanian MVD has promised to share linguistic and instruction materials with us. The point is that there are a great many professional terms in our work which are not yet in usage in the republic. Furthermore, I hope that the labor payment of the MVD workers will be increased by a factor of 1.5 to 2. I am certain that the government will help us with finances for acquiring the most up-to-date equipment, materiel, and transport means so that it no longer happens that an operational group has nothing to use to get to the site of an event; this happens frequently now. I think that the percentage of crimes solved will increase markedly due to this, and the citizens of our republic will feel safer.

[Bunesku] Will you admit women into the service?

[Kostash] Absolutely. Especially since women have already shown their competence in the most complex sectors of our work. In addition to everything else, they will be an ornament of the Moldavian police.

[Bunesku] Ivan Grigoryevich, people are saying the words of the poet "My militia guard me" with open irony. What do you think, will this phrase regain its original meaning when the word "police" is substituted for "militia?"

[Kostash] We are obliged to take all measures to make this really so. Every person, despite his nationality, place of residence, or type of pursuits should have reliable guarantees of his protection and safety from criminal elements.

### **Soviet Group Studies Japanese Investment Policy**

91UF0046A Moscow PRAVITELSTVENNYY  
VESTNIK in Russian No 38, Sep 90

[Article by A. Ivanov, director of the USSR Gosstroy Analysis and Prognosis Center: "Investments Japanese-Style"]

[Text] In accordance with instructions from the USSR Council of Ministers, representatives of the USSR Gosstroy, USSR Promstroybank [Bank for Industrial Construction], USSR Ministry of Foreign Economic Relations, and USSR Ministry of Installation and Special Construction Work visited Japan. The purpose of the trip was to study the experience of investment policy in Japan. What attracted the attention of our specialists in a country which in recent years has become the largest construction market in the world?

A day before our departure from Tokyo, we found ourselves, with the aid of the "Horiye group", in the Japanese "heartland"—the city of Tomakomai, which is located on the island of Hokkaido. There we were able to take a look at "provincial" construction. They showed us the cultural center with the intriguing name of "House of Fantasies". Yet we observed the fantastic quality of this object not in its name, but in the organization of the work. At what construction site in our country, a month before its completion, can one see workers in neat, clean coveralls and... white gloves!

Our questions about possible disruptions in the schedule evoked sincere puzzlement in our fellow conversationalists. Yet, there were also some puzzled questions from our side as well. It turned out that the workers at this construction site always get two days off a month.

"Where is the trade union looking?", we asked, knowing that according to the official data the workers in Japan get one day off a week.

The answer came without hesitation:

"That is the condition of the contract. We conclude it not with the trade unions, but with each worker individually."

Current technology, high scientific-intensiveness of production and extremely high labor intensiveness—these, perhaps, are the factors which have allowed this insular country to create a strong construction potential and in many ways far surpass its foreign competitors. Japan has already surpassed the USA in its volume of investments, and has become the largest construction market in the world. The Land of the Rising Sun also leads in housing construction per capita of the population. The only, although weak consolation, for our pride is still the fact that the Japanese have not yet surpassed us in the volume of housing construction. Yet they have already surpassed the Americans in this indicator.

Having a high reputation on the world construction market in the sphere of engineering decisions, Japanese

specialty firms are actively performing work in the countries of the Near East, Southeast Asia, the USA and the PRC. At the same time, prior to 1987 foreign companies had few chances to build in Japan.

Over 5 million people in Japan have the profession of builder, which comprises 10 percent of all the able-bodied population. We might add that we too have about the same ratio. There are 520,000 construction companies in Japan, which is equal to the number of all public catering enterprises. The firms are primarily small and medium-sized. The relative share of the 100 large firms is no higher than 0.02 percent. Such statistics made us think about the course which our country has taken toward developing a network of small and mid-sized enterprises. As compared with the industrial enterprises, construction organizations are less burdened by fixed capital, and the processes of demonopolization in construction, as in agriculture, may take place more painlessly than in other base sectors of the national economy.

There are no state construction organizations in Japan: 65 percent of the volume of construction-installation work is performed in the private sector, and housing accounts for half of this volume. All the housing which is being built here is divided into four groups: rental housing (primarily municipal); low-cost housing, built at the expense of companies and allocated, as a rule, to young workers; apartment houses for sale and finally, houses for individual builders.

In this connection it would not be out of place, we believe, to acquaint the readers with the USSR Gosstroy's proposals on removal of state control and commercialization of housing, which were recently sent to the USSR Council of Ministers. The proposals call for utilizing the new housing fund in the following manner: 30 percent of the apartments are to be sold to new occupants for cash, 50 percent are to be sold to enterprises for their economic incentive funds, and 20 percent of the new housing is to be distributed on a non-reimbursement basis among the poorly provided strata of the population.

But let us return to Japan. In order to engage in construction work here, one must necessarily obtain a licence from the Ministry of Construction or the local organ of authority. There are standard licenses, and there are special licenses—for large contractors. The contract system is taken as the basis for mutual relations between the contractor and the customer. An important place in the entrepreneurship activity belongs to volunteer associations of sectorial (Association of Construction Organizations, Associations of Builders Abroad, Association of Architects) as well as of an inter-sectorial character. Among the latter, for example, we may list the Economic Federation of Japan, whose branch we visited in the city of Sapporo. The main functions of this organization is mediation between the country's government, the prefecture and the builders in obtaining state orders. We believe that in expanding the market infrastructure we must necessarily utilize the experience of the non-state associations and federations in Japan.

Most of the state contracts are concluded on a competitive basis. The contractor is selected by a state agency with consideration for the qualification of the builders and their proposed bid. The one who makes the lowest bid wins, if this bid does not exceed the price anticipated by the agency.

**In our country we are always looking for the most varied means of stimulating state orders (as a rule, by increasing the cost of the facilities). In Japan they do not worry about this. The state order here is without any of our fantasies. It is not handed to the contractor, as in our country, on a blue-rimmed platter. There they must fight for it. And how! The main stimulus for fulfilling the state order is the guarantee and timeliness of payment for the work performed. In the market element, the state is the most reliable customer.**

The old-fashioned notion of some of our economists (accounting for an object as a whole) which we cast off sometimes, and then again take as our armament, has no analogs in Japanese practice. The logic of contractors who do not want to perform accounting for an object as a whole is not hard to understand: Why take the risk if there is a possibility that under the market conditions the customer may suffer a financial collapse? Fast work is encouraged by the constant concern for maintaining the high reputation of one's firm and the sanctions specified in the contract for the late operational introduction of the facility or for low work quality.

In those cases when the work is performed at the expense of funds from the state economic sector, the customer re-computes part of the funds as an advance (up to 30-40 percent), depending on the annual cost of the work performed. Then, accounting is performed from 2 to 4 times for the work performed, in accordance with the timetable for work production and payment. In this case, 10 percent of the annual cost of the work on the facility is paid after completion of all work as a whole for the year. The municipalities give an advance in the amount of up to 10 percent of the annual work volume, and the number of payments is increased accordingly with consideration for the presence of the contracting firm's own funds.

The customer, the credit bank and the contractor conclude credit agreements, according to which the customer officially acknowledges that the object of the work is the contractor's property. Upon completion of the work, the contractor hands this property over for credit to the credit bank, and the credit bank rents this property to the customer. Thus, the timely performance of accounting for work performed is guaranteed by the banks of Japan, even in the case of temporary insolvency of the customer.

The market for us is still an equation with many unknowns. It is not always wise to break into an open door, to invent that which has already been invented. In short, we need not re-discover America, but continuing

this analogy, I would nevertheless like to note: "Yet we must necessarily discover Japan the builder. Without fail!"

### **Gulf Crisis Complicates Japan-US Relations**

*91UF0030A Moscow IZVESTIYA in Russian 15 Sep 90 Morning Edition p 4*

[Article by S. Agafonov, IZVESTIYA correspondent: "An Unexpected Ricochet"]

[Text] The vote taken this week in the House of Representatives of the American Congress evoked a rather mixed reaction in Tokyo. The evaluations of this reaction fluctuate within a broad "divergence", ranging from shock to indignation. The essence of the matter, in short, is as follows: The American legislators, dispirited by the fact that the USA is carrying the burden of the Near Eastern crisis practically alone, decided upon an unprecedented step. It adopted by an overwhelming majority a bill which presents Japan with an unenviable alternative—either Tokyo fully pay for the presence of American troops on Japanese territory (and this sum would amount to \$7.4 billion annually), or Washington will begin withdrawing its units from the Land of the Rising Sun at a rate of 5,000 military servicemen a year, thus "summing up" the 30-year history of ally relations. At first glance, the Near Eastern motives cannot be detected here even with a magnifying glass. In fact, however, the connection is direct, since the Congressmen have no power to "pressure" the Japanese by any other legislative methods.

However, after the results of the vote were published in the local press, there was a considerable "landslide". It is difficult to call the news itself "a bolt out of the blue". The fact that there has been growing irritation in the United States regarding the all too detached Japanese position in the Iraq-Kuwait conflict has long been known in Tokyo, where they have been preparing in their own way for the inevitable "outburst". Japan has made the decision to allocate \$1 billion for maintaining multinational forces in the conflict zone. Later it announced its intent to give \$2 billion to the "bordering countries". Moreover, the Japanese made their contribution to the material provision of the refugees and sent medical personnel and equipment to the region. All this, it would seem, should have prevented any major unpleasantness in a comprehensive calculation of the "union dues", but in Washington a different method of computation was adopted. This was the thesis that the Japanese are once again "riding on America's back", a notion which has evolved in an avalanche-like manner in the USA.

First, reproaches addressed to Tokyo were presented at the meetings of the Congressional committees. Then the American Secretary of Finance Brady was sent to "extract" money from the Japanese, and now as a result there is the strong upsurge of anti-Japanese sentiment, whose embodiment is the bill passed by the House of Representatives. As my American colleagues in Tokyo

explained to me, this step is dictated not so much by emotions as by everyday arithmetic, from which it follows that without adequate aid on the part of its allies, the United States may encounter serious economic problems in connection with the ongoing crisis in the Near East. Despite the great American potential, the burden of leadership is capable of bankrupting the state. That is the pivotal point of all the conclusions, the number of which diminishes with each passing "day of crisis".

The Japanese, in turn, are trying to prove with pencil in hand, and quite convincingly, that the reproaches of dependency are undeserved, and that Tokyo stands ahead of all the other American partners in its volumes of material subsidies. Alas, both sides, as far as we can judge, do not hear each other very well. Moreover, in the opinion of many specialists who have an understanding of bilateral affairs, the current situation with the Near East is no more than an excuse for a new round in the "clarification of relations" between the allies. Observers point out that the initiators and main proponents of adoption of this document have been those politicians in the USA who are running for re-election in the Fall. The conclusion that firmness in regard to Japan will be one of the main trump cards in the electoral race becomes apparent, and from this standpoint we can hardly cast doubts on the predictions of new collisions in the Japanese-American dialogue.

Nevertheless, the events are developing in their own course. After the House of Representatives passed the resolution, there were reports that the President of the USA intends to veto the ominous bill. In Tokyo there was a stormy meeting of the Cabinet of Ministers, which adopted the decision to allocate an additional billion dollars for the needs of the multi-national forces in the Persian Gulf and to review the question of increasing by a sum of 80 billion yen the Japanese contribution for maintaining American contingents in Japan. To the White House and the Japanese cabinet it is obvious that neither partner stands to gain from a mutual confrontation, and concessions and compromises would be inevitable. However, this consensus certainly does not influence the parliamentary attitudes and the factor of public opinion. Considering these, the picture which arises is far from rosy, and the unexpected ricochet from the Iraq crisis—certainly not the last.

### **Progress of Chinese Economic Reforms Viewed**

*91UF0045A Moscow ARGUMENTY I FAKTY  
in Russian No 41, Oct 90 pp 4-5*

[Article by D. Makarov, ARGUMENTY I FAKTY correspondent: "USSR-PRC: Two Approaches To Reform"]

[Text] "How does the Chinese approach to economic reform differ from the Soviet?", ask our readers.

Our correspondent D. MAKAROV, who has visited China, tells us.

Of all those who have jobs in the USSR and in China, the least busy people are, it seems, sales clerks in state stores. Yet while in our country they are idle because of a lack of goods, in China it is because of a lack of buyers. This, of course, does not mean that the Chinese home is a cup overflowing. Certainly not. The abundance of locally produced high quality consumer goods, and we might add in quantities which Soviet consumers do not even dream of even in the best years of stagnation, does not keep the average Chinese person from living rather humbly, even by our standards. The reason for this is the lack of money. You will agree that with a wage of 150-200 yuan, the purchase of a color television costing 3,000 yuan becomes an unattainable dream.

We cannot help but ask: What is worse—the lack of goods with the presence of money, or the presence of goods with the absence of money?

### **Where They Began in China**

I personally prefer to see goods in the stores, and not money in my pocket for which there is nothing to buy. Goods create an incentive to work and to earn.

However, the abundance of goods is quite a recent phenomenon in China. The beginnings for it were laid in December 1978 by the 11th Convocation of the CPC Central Committee's 3rd Plenum, which in its significance may be equated to the April 1985 CPSU Central Committee Plenum. Yet while in our country the reform began with political changes, in China it began with changes in the sphere of economics.

In China they moved toward reform sooner because they sooner reached the line, beyond which economic decay sets in. They did not have "mad money" in oil dollars or income from the export of weapons, as we did in the USSR.

Without long debates in parliament, the people's communes were disbanded in a single winter (1981-1982), and the land, farm equipment and livestock were divided up among the peasants according to the number of mouths to be fed. This immediately forestalled the specter of hunger from China. Even earlier, the process of restoration of private enterprise in industry had begun, as well as the creation of joint enterprises and free economic zones.

### **Ginseng of the Chinese Economy**

Our trip through China was organized by the journal BAN YUE TAN, which has the largest circulation in China (around 5 million copies), and which is published by the XINHUA agency. We visited 6 cities and saw industrial enterprises which were under various types of ownership.

The city of Shenzhen on the boundary with Hong Kong is a city of skyscrapers with a population of around 1 million people, although 10 years ago there were only 30,000 people living there. Shenzhen is comprised of

2,500 ecologically clean industrial enterprises which manufacture 1,115 varieties of goods, of which 650 go for export. In 10 years there have been 18 billion yuan invested here into the development of the infrastructure, and 20 million square meters of housing have been built. There are many automobiles in the streets, but primarily—mopeds and motorcycles, while in other cities of China the main means of transport is still the bicycle.

The 327 square kilometers over which Shenzhen extends is called the "socialist free zone". Its beneficial effect in the form of 3,900 joint enterprises created with the enterprises of other provinces extends to all of China like an injection of revitalizing medication. Shenzhen is the gensing for the rejuvenation of the Chinese economy.

In order for gensing to grow, it requires specific conditions. In order for Shenzhen to have arisen, no less exclusive conditions were needed. Even quite recently Hong Kong was called the "colonial malignant tumor on the body of China". About 20-30 years ago, Hong Kong itself became something like a free zone, where foreign capital was attracted by low taxes, a cheap work force, and the possibility of selling the manufactured products in all the nearby countries. In these years, Hong Kong has become rich, and its work force is no longer cheap. The population of 6 million people is extremely cramped on the narrow strip of land, and Hong Kong capitalists are seeking new spheres of application for their capital.

Therefore, the creation of a free zone in Shenzhen has been a blessing both for the PRC and for Hong Kong.

Shenzhen is the practical embodiment of the theory of convergence—the growing of capitalism into socialism (or vice versa?). The party organization of the CPC is active there. The PRC government sends its best workers and engineering cadres there, so as to attain in practice the secrets of western technology. Yet, as some maintain, patronage also plays a definite role. After all, the labor wage in Shenzhen is several times higher than in other regions of the PRC.

#### Capitalist, Comrade He Bing

The creation of free zones similar to Shenzhen (there are 8 of them in the PRC) is one of the most important, but perhaps not the main achievement of Chinese economics. Much more important is the re-orientation of priority directions in its development. Ten years ago the ratio of heavy industry, light industry and agriculture comprised 50:25:25 percent, respectively. At the present time the relative share of heavy industry has declined to 37 percent, while the portion of light industry has increased to 38 percent and agriculture has remained at its previous level. It is specifically to light industry that the state has directed most of its capital investments.

In Guangzhou we visited the owner of a shoe factory and store. The owner, Comrade He Bing, comes from a family of shoemakers. Sixty years ago his father started his own business, and when he died the business passed to the son. Yet in the 60s, in the period of the "cultural

revolution", the factory and store were closed down. Fashion footwear became a "bourgeois prejudice". He Bing lived through some hard times. In 1982, private owners were granted some indulgences. He borrowed 3,000 yuan from friends and took out a loan in the same amount from the state, and once again opened his business. Today his factory manufactures 30,000 pairs of hand-made shoes of French design in 150 different styles. The average Chinese cannot afford such footwear, but He Bing sells his shoes in many countries throughout the world.

"Do the workers treat you well?", I asked him.

"Normally, I think. Their wages are much higher than in the state enterprises. We take breaks together and go on excursions. And then they see that I work not less, but more than they do."

#### The Possibility of Choosing the Best

So, has China made the transition to a market economy?

I think not. After the astounding success of 1979-1984, the PRC economy began to malfunction. Now there is talk of its "overheating" and the need for "bringing up the rear". The main problems in China are listed as being the disruption of monetary circulation caused by the imbalance of prices and income, inflation, the imbalanced structure of production, and the strengthening of group and regional egoism. Chinese economists see the reason for these and many other troubles in the all too rapid transition from directive planning to the chaos of the market, from "nothing is allowed" to "everything is permitted".

It seems the authors of the Chinese economic reform had the same psychology as the creators of the "great leap" at the end of the 50s, through which China intended to build communist in 10-15 years.

Leaps from capitalism to socialism and back turn out to be colossal material and moral losses. For now the register of losses which China has suffered in recent years includes the exacerbation of social problems, lack of confidence in its leaders and in the success of the reforms which they are implementing. We can only wonder at the fact that, while implementing reform by different means, we nevertheless come to the same results.

Today, having rejected a new "great leap", they have sharply curtailed the tempo of reform in China, once again returning much of what relates to directive methods of managing the economy. State control over prices is being strengthened, the number of goods which may be sold freely is being reduced, centralized purchasing and distribution of many types of products is being restored, and the acute social contrasts are being smoothed out by means of "improving the system of distribution of income".

It is evident that in order for the process of democratization of society to take place most painlessly, political

reform must be implemented in parallel with economic reform. Otherwise it will be impossible to avoid such phenomena as the events which took place in Tiananmen Square if political reform lags behind, or such phenomena as our empty shelves, our tobacco, water and other riots and strikes, if economic reform lags behind.

### **Sino-Soviet Political, Economic Ties Scrutinized in Dalian**

91UF0036A Moscow KRASNAYA ZVEZDA in Russian  
29 Sep 90 First Edition p 5

[Article by L. Tseytlin: "Dalian Today"]

[Text] There is a city in northeast China which has gone down not only in the history of its own country, but of ours as well. This is Dalian, which at one time was called Dalnyy.

Recently I had occasion to visit Dalian as part of a delegation of activists from the SSOD [Union of Soviet Societies for Friendship and Cultural Ties with Foreign Countries] and the Society for Soviet-Chinese Friendship. In the central square of the city there stands a monument to the Soviet soldier, who crushed the forces of the Japanese militarists.

This monument was erected in 1953. As we know, there have been varying relations between our countries over the years which have passed since that time. Yet the monument has never been defaced. The graves of the Soviet warriors, both the soldiers and the sailors of the Russian army who perished in the Russo-Japanese War, have always been cared for.

When one drives through Dalian, sometimes it seems that one is driving along the streets of a Russian city—the planning and the houses which were built quite recently are very similar. Then suddenly there arises a huge dragon made of greenery and flowers, and right away you understand that you are in China. We visited the Dalian Locomotive and Railroad Car Building Plant. It had been built on the site of the railroad shops built by our fellow countrymen back in 1901. At that time they repaired the rolling stock for the South-Manchurian Railroad here. Today these shops, which have become a modern enterprise, manufacture powerful steam engines and cargo cars. There they still have fond memories of the Soviet specialists who helped create the new production in the post-war years. And as they told us at the plant, they hope to have continued mutually beneficial cooperation with us in the future.

We also visited the shipping port, the third largest in China. Today the Dalian port receives lumber and industrial goods from the USSR. It exports food products and salt. With each passing year, the volume of mutual deliveries increases. Yet trade is carried on not only by sea. Dalian concludes barter deals with many Soviet cities, such as Saratov and Vitebsk, for example.

Business people from the Soviet Union are coming to Dalian more and more frequently.

Of particular interest for the guests from the USSR is the Dalian free economic zone, one of those which has sprung up in China in recent years. This zone was created in only a few years on one of the neighboring islands, joined to the city by a dam over which a wonderful highway has been built.

Almost 200 joint or foreign-owned enterprises comprise the core of the economic zone and its purpose. They manufacture the most varied products, which go for export as well as for the domestic market. Companies from the USA, Japan, Hong Kong, Taiwan, Singapore, the FRG, and Thailand have invested \$680 million in the development of this zone, together with Chinese enterprises. The taxes on profits here do not exceed 33 percent, and there are many other incentives for foreign capital. However, China also receives great benefit here. First of all, the state budget receives a considerable amount of currency for the land plots which are leased on a long-term basis to the companies, and on which they may build. The state budget also receives currency for the supplied power, gas, and water, for the Chinese work force, and for various services.

Secondly, Chinese workers and engineers receive good training at these enterprises, which are outfitted with modern equipment and which utilize up-to-date technology. Then, having worked here for a certain length of time, they are sent to other enterprises where they utilize their experience and knowledge, thereby raising the technical level of their own plants and factories. Finally, almost a third of the products manufactured in the economic zone are sold on the domestic market.

I would like to conclude my story of the city which lives in the memory of two peoples—the Soviet and the Chinese—by recalling a meeting which I had in Dalian. When we were flying out of Dalian, a short elderly man came up to us at the airport. He listened to us as we talked, and then asked unexpectedly in Russian: "Are you from Russia?" Having received an affirmative reply he said, changing over to Chinese, that he was very glad to see us in Dalian, since he remembers very well his joint work and friendship with Soviet people. As it turned out, Le Deyuan [phonetic], a former major in the Chinese army, was now retired. He had participated in the war in Korea together with Soviet pilots. He was a mechanic on Soviet MIG-17-bis fighters, which the Soviet pilots flew at that time. "I had many Soviet friends, whose photographs I have saved," Le Deyuan told us. "Like many Chinese, I have also retained the memory of them."

### **Illegal Cross-Border Trade With Chinese Reported**

90UF0562A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 21 Sep 90 p 2

[Article by I. Sholokhova and V. Ivashchenko: "Traders From Nagibor"]

[Text] Natural trade along the banks of the Amur often turns out to be contraband.

"Here you are, Mother, I have brought you a Chinaman." That is how P. Ya. Allenov, a driver at the "Nagibovskiy" sovkhos, presented the unexpected guest to his wife one August evening.

Taisiya Ivanovna, the mother of five children, did not know whether to call for help or set the table. It was clear that the late-night guest had not come from beyond the Amur on a tourist travel pass.

However, Pavel Yakovlevich did not sit around the house too long with his new friend. After all, you cannot say much when you speak different languages. Together with cattle herders M. P. Orlov and M. A. Dekin they decided to waste no time and on that same night to make a reciprocal "friendly visit". And so, that is what they did. On a bus which services the summer livestock raising camps located beyond the border wire, they went around the border station unhindered and drove to the bank of the Amur. There they got into a Chinese motorboat. And by 4 o'clock in the morning, before dawn, having sampled of the treats beyond the river, they returned to their homeland.

The unofficial contacts with the Chinese by the residents of the small village of Nagibovo on the Amur River were not limited to this. It is a good thing that the situation at the border today is not at all like it was even a year ago, when one could not even get to Nagibovo without a pass. The terrible border is gone. Yet some residents have decided that now there is complete freedom. Once at night, having agreed beforehand with Chinese fishermen, they held a unique trade fair on the Soviet bank. About 10 Nagibov residents, having loaded up into this same bus electric samovars, irons, tea pots and even an iron bed, they once again quite easily penetrated beyond the barbed wire. They even took goods which were in short supply for us, but in exchange they evidently hoped to get things which were in even shorter supply. And the Chinese justified the hopes of our traders, offering them vodka, cigarettes and cosmetics. The successful deal was "washed" on the spot.

We do not know how much stronger the Nagibov-Chinese friendship would have grown had it not been for the border patrol. Although a bit late, it nevertheless did discover the ill-fated contrabandists. The border violators faced imprisonment for a term of up to 10 years, but the town meeting decided to take them under its charge. The large Allenov family will evidently have to tighten their belts a bit tighter—the customs service is threatening them with a large fine for carrying contraband. Never did they think that it would all turn out this way...

Yet today it is not only Nagibovo which is well-known for its friendship with China. The residents of the village of Pokrovka in Bikinskiy rayon, for example, have become disenchanted with the capacities of the local village general stores. They are going to the Chinese

riverbank for vodka. The Chinese, for their part, take home lumber materials from us whenever they get the chance.

The relaxation of the border regulations, of course, has added concerns both for the military and for the local authorities. That is understandable. How many years the people have looked at the great Amur through barbed wire, living by the water and not having a chance to swim on a hot day, to water their gardens, or to catch fish. Today the wire barriers have been removed in most villages, and not only residents have reached out toward the border, but also business people from the depths of the country. Accidents occur one after another. The people are already starting to talk: What if the border patrol decides to crack down and once again close off the banks of the Amur?

"I do not think it will come to that," border patrol officer S. T. Minko commented on the situation. "Although we cannot assign a border guardsman with automatic weapon to each resident, we are nevertheless counting on the good sense of the population."

It is notable that the border guards themselves have begun supplementing the shortage of legal literacy. A press bureau has been created in the district, which studies public opinion and cooperates with the newspapers, radio and television. Its tasks include not only reaction to critical comments addressed at the border guards, but also the introduction of a "deep-seated understanding of the problem of border protection" to the masses, including the fact that one cannot simply go over to another country just like that.

#### Renewal of DPRK Timber Agreement Pondered

91UF0021A Moscow TRUD in Russian 11 Sep 90 p 2

[Article by A. Lukashov, deputy chairman of USSR Gosplan: "Clarification of Plans"]

[Text] Articles published in TRUD, "Shortening the 'Black Dragon,'" "Does the Country Need a Border 'Under Lock and Key,'" "In the Taiga...Across the Border," and "Islands in the Ocean," were discussed in USSR Gosplan. In this context, we feel the need to make the following report.

The Far Eastern economic region (excluding the Yakut ASSR) has great timber resources. A significant portion of these resources, consisting of mature and overmature timber, is dying, however, because of the labor shortage and the underdeveloped timber industry complex. This is why the Government of the USSR agreed when the DPRK proposed the organization of the felling of timber by Korean workers on a mutually beneficial basis. By the terms of the intergovernmental Soviet-Korean agreement of 6 February 1985 (which will expire on 31 December 1990), the Korean side was to build and operate timber enterprises in line with existing Soviet standards and regulations and the technical conditions

and requirements of official agencies and organizations and was to be liable, under Soviet law, for damages incurred by the Soviet side.

In spite of repeated assurances, however, the Korean organizations did not take the necessary steps to eliminate negative developments in cooperation or for the strict observance of the terms of these agreements, which was correctly pointed out in the TRUD articles. The flagrant violations of production and consumer standards in the USSR by Korean personnel and their negative effect on the ecology of the region were made possible, according to USSR Gosplan, by inadequate supervision and exactingness on the part of local government and timber management agencies in Khabarovsk Kray and Amur Oblast and on the part of organizations of the USSR of the Timber Industry.

In view of all this, the USSR Council of Ministers asked the RSFSR Council of Ministers to reconsider the expediency of renewing the intergovernmental agreement between the USSR and the DPRK in this area.

A mutual decision to cancel the agreement on the processing of timber by Cubans in the Sukpay region in the Far East was made in Havana at the last session of the Soviet-Cuban Commission on Economic and Scientific-Technical Cooperation....

USSR Gosplan also wants to report that, contrary to common opinion, there were no plans to sign an agreement on the construction of a GES on the Amur jointly with the PRC. In October 1986 the governments of the USSR and PRC reached an agreement on the joint compilation of a "Program for the Comprehensive Use of the Water Resources of the Argun and Amur Border Rivers Until 2030." The program will make recommendations and will represent a pre-planning document.

As for the further construction of the Bureyskaya GES, the preliminary appraisals for the draft plan for 1991 suggest the inclusion of the construction of this GES in state requisitions and the allocation of the necessary state centralized capital investments for this purpose.

There is no question that the issues raised in TRUD reflect the current state of the socioeconomic development of this huge region in our country and the shortcomings and errors in attaining government objectives for its development. To correct the situation, USSR Gosplan is working with the RSFSR Council of Ministers, ministries, departments, and scientific organizations to clarify the plans for the long-range development of the Far East and the trans-Baykal zone. The precise assignments in the program for 1991-1995 will be determined on the basis of these plans and the current economic situation in the country.

**PRAVDA Publishes Government Statement on Iraqi Invasion***91P50027A Moscow PRAVDA in Russian 3 Aug 90  
Second Edition p 1*

[Soviet Government's statement regarding the Iraqi invasion of Kuwait; "Soviet Government Statement"]

[Text] Relations between Iraq and Kuwait have sharply deteriorated in recent time. An Iraq-Kuwait summit was held to deal with the contentious issues between the two sides, but it ended without results. In the morning on August 2 Iraqi troops invaded the territory of neighboring Kuwait.

The Soviet Union believes that no contentious issues, no matter how complicated, justify the use of force. Such events totally contradict the interests of Arab states, create new, additional obstacles to the settlement of conflicts in the Middle East and run counter to the positive tendencies of improvement in international life.

The Soviet Government is convinced that the elimination of dangerous tension in the Persian Gulf would be promoted by the immediate and unconditional withdrawal of Iraqi troops from Kuwaiti territory. The sovereignty, national independence and territorial integrity of the State of Kuwait must be fully restored and defended.

**Objectives of Russian Palestinian Society Outlined***91UF0068A Riga SOVETSKAYA MOLODEZH  
in Russian 19 Sep 90 p 2*

[Article by Viktor Bashkin: "The Russian Palestinian Society Today"]

[Text] For a long time, the general public knew practically nothing about the activity of the Russian Palestinian Society. Because of this, some associated it with a branch of the "Pamyat Society", while others thought of it as an organization which helps Jews emigrate to Israel. Glasnost has made it possible to scatter the fog of these conjectures.

"In the current difficult situation in the country, the Russian Palestinian Society is a symbol of the rebirth of Russia. It embodies the living ties of the times, the continuity of traditions", noted the society's chairman, rector of the USSR MFA Diplomatic Academy, Professor Oleg Peresypkin in his speech presented at its recently held annual general meeting.

The charter of the Orthodox Palestinian Society, adopted in May of 1882, stated that it was founded exclusively for scientific and charitable purposes. Therefore, before World War I the society's activity was traditionally concentrated on three main directions: The pilgrimage of Orthodox Christians to the holy places in Palestine, scientific work associated with the study of history and culture of this region, and charity work.

Every year around 30,000-35,000 Christians visited the Holy Land. On Easter in Jerusalem alone there were over 10,000 worshippers from various corners of Russia. The Orthodox Palestinian Society assumed a large portion of the concerns for the Russian pilgrims. It created a special steamship line for transporting the pilgrims and helped them with housing and food. The society had over 100 schools on the territory of Palestine, in Syria-Lebanon and Egypt, where Russian teachers taught Arab children according to a special program. In Jerusalem alone, 1,200 school children studied the Russian language and culture.

After the October revolution, the functions of the Orthodox Palestinian Society changed, and it began to be called the Russian Palestinian Society. Yet despite all the domestic political cataclysms, this age-old scientific-cultural organization survived, and in our time it is once again attaining its traditional status.

The Russian Palestinian Society primarily performs extensive scientific work associated with the study of the history, culture and art of Palestine, the political problems of the Near East, and the Arab-Israeli conflict, and defends the rights of the Palestinian people. We might add that such leading scientists as Acedimicians Bartold, Uspenskiy, Kokovtsev, Marr, Struve and others were members of the society. Today many doctors and candidates of sciences are members of the Russian Palestinian Society, which is one of the scientific societies within the system of the USSR Academy of Sciences.

The results of the society's scientific research are published on the pages of the prestigious annual publication *PALESTINSKIY SBORNIK*. On the agenda is the study of the Russian Palestinian Society's archives, which are dispersed among various state storehouses. Unfortunately, until quite recently access to many of the documents was prohibited. Today the curtain of total secrecy has begun to fall away, and the archives are opening their doors to scientists. Therefore, there are plans to publish within the next few years a collection of works from the archives of the USSR and foreign countries associated with the activity of this very old Russian cultural society.

At the present time, the Russian Palestinian Society is setting the task of strengthening scientific and cultural ties with the communities of the Near Eastern countries and with foreign scientists. Several months ago it held an international scientific symposium on the topic of "Russia and Palestine: Cultural and Religious Ties and Contacts in the Past, Present and Future". The proceedings of the symposium were called to order and blessed by Metropolitan Volokolamsk and Pitirim of Yuryev.

Various problems were raised during the work of this international forum, in which scientists from the USA, Canada, the FRG, and a number of Arab countries and Israel participated. Among these were problems associated with renewing pilgrimages to Palestine. However, the position of the Russian Palestinian Society here is ambiguous. As the chairman of the society, Professor O.

Peresyarkin noted that the USSR is a secular state and it would be incorrect to directly raise the question of organizing pilgrimages by a society of the USSR Academy of Sciences. In essence, we may speak of tourism which would consist of two waves. One wave would pursue purely religious goals: Worshipping the holy places and getting to know the monuments of biblical history. The other wave of tourism would be political and peace-making.

Jerusalem, as we know, is the place of worship for three religions: The al-Aqsa Mosque is a holy shrine for the Muslims, the Church of the Lord's Tomb—for the Christians, and the Wailing Wall is a holy shrine for Judaism.

Therefore, the society believes that the trips could be made under the slogan: "Through the dialogue of three religions—peace to the Near East".

Until 1967 there was a representation of the Russian Palestinian Society in West Jerusalem, which occupied several rooms on the first floor of the Sergiyev Convent. These quarters still stand vacant, with the eaves boarded up. Therefore, the society is raising the question of re-opening its representation in Palestine, on the occupied Arab territories. And we are speaking not about a new signboard, but about specific work: Building Russian schools and medical facilities, and conducting scientific research.

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